ECONOMIC IMPACT OF TOURISM

HEARINGS

BEFORE THE

SUBCOMMITTEE ON BUSINESS, TRADE, AND TOURISM

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE

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ON

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ECONOMIC IMPACT OF TOURISM

WEDNESDAY, FEBRUARY 24, 1982

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE,
AND TRANSPORTATION,
SUBCOMMITTEE ON BUSINESS, TRADE, AND TOURISM,
Washington, D.C.

The subcommittee met at 9:40 a.m., in room 235, Russell Senate Office Building, Hon. Larry Pressler (chairman of the subcommittee) presiding.

OPENING STATEMENT BY SENATOR PRESSLER

Senator PRESSLER. Good morning. I call this meeting of the Business, Trade, and Tourism Subcommittee to order. I want to welcome all of you here today to participate in an oversight hearing on the economic importance of the travel and tourism industry. We will also be taking a look at the future growth trends and changing travel patterns on both the domestic and international levels.

Although I realize that many of you have been here before and participated in hearings of this type, there are some differences in this instance. We now have the National Tourism Policy Act in place. We have the U.S. Travel and Tourism Administration under the able leadership of Under Secretary Peter McCoy. We have the Tourism Policy Council and the Travel and Tourism Advisory Board.

Unfortunately, what we do not have yet is the necessary recognition within certain sectors of the executive branch that travel and tourism are as critical to our economic health as we in the room know they are. However, I, for one, am not ready to give up that crusade. I am convinced of the merits of the case and I will continue the education process with your help.

As an example of the importance of travel and tourism to my home State of South Dakota, for instance, let me cite a few facts. We in Congress are all very aware, especially during the summer, that Washington attacts millions of tourists. We see what seems to be an unending stream pour through the Capitol every day and it all seems quite natural. However, many people would be surprised to learn that over 500,000 more people visited Mount Rushmore last year than visited the Capitol Building here in Washington. Over 2 million people visited Mount Rushmore. And the total for all of South Dakota was over 6 million. All this in a State of 750,000.

In terms of the financial resources devoted to tourism promotion, South Dakota will spend almost $1.4 million this year. The average

for all States is in the area of $2.5 million. If the decisionmakers in my home state feel that $1.4 million is a reasonable investment in this area on behalf of 700,000 people, we certainly need to think hard about our national expenditures.

At this point, I would like to read into the record a statement by Susan Edwards, South Dakota's travel director.

More than 6 million travelers include South Dakota on their itineraries each year and of that total, the foreign market contributes only 5 percent.

With increased foreign travel to the United States, it is obvious that South Dakota is not getting its share of the market. South Dakota's geographic location, coupled with minimum air service, contributes to the problem.

Because of a declining budget, our international promotions are limited to familiarization trips for journalisms and tour operators and to international trade and travel shows. In the past, our only link to the international market was through the valuable assistance of the United States Travel Service. A declining budget on the national level for tourism promotion further lessens our ability to tap the international market. The average foreigner is only familiar with the major cities on the coast and, as a result, few ever experience the type of vacation a state like South Dakota is able to offer—a unique old west vacation.

The number two industry in our state of 690,000 people is Tourism. Tourism employs over 17,000 people in an estimated 3,000 travel related businesses, and contributes nearly one half billion dollars to our state's economy.

In 1981, South Dakota's taxable sales from hotels and motels increased almost 10 million dollars from the 2nd quarter to the 3rd. This further documents how vital the tourism industry is to our rural economy and that tourism needs to be recognized for the valuable asset it is to South Dakota.

Let me say that I have long been concerned that the travel and tourism area is one that does not have an intellectual philosophy similar to agriculture or manufacturing or certain professions. I have found in my state that work in agriculture or manufacturing is sometimes more recognized than work in tourism. Indeed, we passed the Tourism Policy Act, which people in the tourism business were aware of its significance, but I do not know if the average American is aware of how important tourism and travel is and will be to our economy.

Our leadoff witness will be Herman Kahn, who is a philosopher of a number of sorts.

But first, I will call on Senator Cannon for his opening statement.

I know that Senator Cannon has an opening statement. He's done a great deal of work in this area.

OPENING STATEMENT BY SENATOR CANNON

Senator CANNON. Thank you very much, Mr. Chairman. These hearings are intended to stress the economic importance of the tourism industry and to elicit recommendations for ways in which the Federal Government can help to maximize its growth. I believe they come at a very critical time.

Unless Congress chooses to increase the administration's tourism budget request substantially, the Government entity chosen to assist the tourism industry and market the United States as an international travel destination, will not be able to do its job.

The recent budget submitted to Congress requests $5 million for the Travel and Tourism Administration. That's $2.6 million less than last year's budget, which itself was barely adequate, and, I might add, less than 24 other countries, including our neighbors, Canada and Mexico.

[The list follows:]

	Millions
1. Turkey	$80.1
2. Spain	65
3. Republic of Korea	46.5
4. Belgium	40.8
5. United Kingdom	39
6. France	39
7. Portugal	36.2
8. Togo	32.4
9. Canada	30.1
10. Syria	27.5
11. Hungary	23.6
12. Mexico	22
13. Ireland	20.8
14. Peru	18.1
15. Austria	17.8
16. Switzerland	17.2
17. Republic of Germany	15.5
18. New Zealand	13.9
19. Singapore	11.4
20. Japan	10.2
21. Venezuela	9.4
22. Netherlands	9.3
23. Jamacia	8.8
24. Hong Kong	8
25. United States	8

Senator CANNON. Apparently, OMB feels that it is unnecessary to spend Government funds to market the United States because everyone wants to come here anyway. Such an attitude is completely at odds with what every nation which competes in the international tourism market knows is necessary.

It's also bad economics According to the Department of Commerce, our overseas marketing efforts have earned $18.60 for every Federal dollar spent. The Department also estimates that one additional job is created by every $31,000 spent by foreign visitors. Last year, those visitors spent $14.2 billion, and that translates into almost a half million jobs—actually, 458,000 jobs.

Finally, the administration's budget request conflicts with existing law, which prohibits funding our overseas offices at a level below that for fiscal year 1980. The 1980 level was $6.4 million. The request for fiscal 1983 contemplates $3.84 million for those offices, however.

Now the administration's budget request for the new Travel and Tourism Administration indicates that, as in the past, the decision-makers have failed to recognize the national importance and potential of tourism. In other words, it's "business as usual."

Until this attitude is changed, I believe we know from experience how difficult it will be to urge the Government to assist in maximizing the industry's growth.

I would hope, therefore, whatever else these hearings accomplish, they will send a clear and unequivocable message to those who believe "business as usual" is sufficient for the future.

And, Mr. Chairman, I have been requested to put a statement in the record for Senator Inouye. It is rather brief and I will read that into the record, if I may.

Senator PRESSLER. Without objection.

Senator CANNON. This is from Senator Inouye.

[The statement follows:]

OPENING STATEMENT BY SENATOR INOUYE

It was almost 10 years ago, during our first energy crisis, that I urged the travel industry to overlook the parochial differences which were dividing it, and unite against crippling proposals in Washington which threatened it. Otherwise, I warned, those who felt that tourism was non-essential would exploit the industry's divisiveness.

The industry did unite, and I think everyone would agree that, as a consequence, some ill-advised actions have been averted, and some good things have happened.

During the last energy crisis, Congress rejected unwise and onerous energy conservation proposals;

Several proposals to limit tax deductions for business meals have been defeated;

Efforts to eliminate the federal role in promoting international tourism have been overcome;

And on the positive side:

There is an industry advisory council to give advice and recommendations to the Senate Commerce Committee on a regular basis;

We finally have a national tourism policy and the mechanisms to implement it.

The Federal involvement in tourism is now headed by an Undersecretary, a position just below Cabinet rank.

All of this has been possible because the industry united to assist those of us in Congress who recognize the economic importance of tourism.

Once again, however, federal regard for the industry's national importance is threatened by a budget request which would literally make the Travel and Tourism Administration inoperative as an international marketing force.

This is precisely what Congress and the industry have resisted time after time over the past 10 years. And we have not been advocating "budget busting" dollars in the process.

We are once again confronted with an effort to treat the industry as "non-essential," and unity within the industry is especially critical.

I am therefore disturbed by reports that individual differences may once again be threatening a united effort in Washington.

We are told that those who ignore history are doomed to repeat it. If the reports I have received are accurate, that admonition is certainly appropriate here.

So if there are parochial differences, I would hope all parties will recognize the imminent threat facing the travel industry, and act accordingly.

Finally, Mr. Chairman, I have been asked by Robert Juliano of the Hotel Employees and Restaurant Employees International, AFL–CIO, to express the union's continuing support of the subcommittee, and to assure you of its cooperation and assistance in the work that is ahead of us.

Thank you, Mr. Chairman.

Senator PRESSLER. Thank you very much, Senator Cannon. Let me also say that we will be receiving testimony from Mrs. Beverly Halling, acting president of the South Dakota Hospitality Association. Mrs. Hallings' comments will be printed in the official record of this hearing.

Now I will call on Herman Kahn, who is our first witness. I might say that I first met Herman Kahn when I was a lieutenant in the Army in Vietnam in 1967, when he was doing some studies, and I have followed him closely since, in his writings on futurism, and I recently read a book by him on the Japanese challenge.

I thought it was appropriate that he be our leadoff witness because he has said that by the year 2000, tourism may be our largest industry. I think that that is a very significant statement. Also, he has done a number of studies on the future. I have contended that if the United States is going to meet its deficits and balance of payments, it will have to depend on income from tourism and travel. And I have frequently said that some of the service areas are our strongest economic sectors. Senator Inouye and I have a bill to promote service industry exports.

But I thought that it would be very good to sort of put this into an intellectual framework, if you will. But I shall call on Herman Kahn as the first witness and then we will have questions. And probably, if you can summarize to about 15 or 20 minutes, that would be very helpful. Then we will go into questions.

STATEMENT OF HERMAN KAHN, HUDSON INSTITUTE, CROTON ON HUDSON, N.Y.

Mr. KAHN. First, I should probably say that the year 2000 projection looks more like 2010 now.

But sometime between those dates. What I would like to do is paint as broad a picture as I can, which I think will be helpful in looking at some of the tourism issues. I have a set of briefing notes, which I think that most people in this room will have a copy of. This is kind of a universal briefing, since I use these notes all the time. What I would like to do is select a few charts from these notes.

I would like to start with a couple of methodological comments, if you will. We're dealing with highly uncertain matters here, and it's a good idea to have a sense of how sure you are of your statements. I give you a chart called the seven levels of belief, which run from atheism to divine revelation. And I want to emphasize here what I call the Scotch verdict.

In Scotland, a jury can come up with three verdicts in a criminal case: guilty, not guilty, unproven. Unproven means that in our considered judgment, you are guilty, but not beyond a reasonable doubt. Hence, we have to let you go. But we thought that the public should be informed that you are, indeed, guilty.

It takes a very high level of proof or documentation to come up to take away a man's reputation, officially, legally. And hence, the *Scotch* verdict is a very high level documentation, indeed, but not beyond a reasonable doubt. I mean, in other words, you can't be sure. A number of remarks that I made today will be at a *Scotch* verdict level. Some of them will be divine revelation.

And those, I would just as soon you didn't argue with me about.

The second chart on that same page, It's what we call the supply-demand-supply concept.

When the industrial revolution first started 200 years ago, it was a unique event in world history. No culture had ever sustained economic growth before, sustained increase in affluence, sustained rapid changes in technology. We usually think of the industrial revolution as a kind of an exponential process, but that's wrong. It has been known, by the way, for the first 150 years as a sort of "S" process"—it starts off, goes very fast, and then flattens out. And I believe that the United States now sees signs of that flattening out.

I'll give you a little more information in just a moment, but I'd like to make the following point.

When the industrial revolution started, it was largely a matter of supply—better techniques of agriculture, the steam engine, the cotton gin, the railroad, and so on.

In other words, people were able to produce more things and the demand issues took care of themselves. It was a world which really

was anxious to buy any product you could supply, almost, at a reasonable price.

Later on, when the system got very efficient, it changed to a kind of demand orientation. I'm not just talking about Keynes here. Efficient quantity of money, Milton Friedman, with his concepts of monetary supply, are all talking about aggregates, about the conditions of demand, not about supply.

At a seminar in Cambridge, Keynes was once challenged by one of the members that there's nothing in his theory about supply. He said, that's correct. If you work out the demand conditions appropriately, the conditions, in effect, handle supply automatically. I don't have to worry about it. And that was true up until about World War II.

Post-World War II, we suddenly found supply to be a problem again. I'll give you a quick example.

East coast United States desperately needs refineries—not now, but it did for the first 20 postwar years. There were about 10 attempts to build refineries. The entrepreneur was there, the engineering was there, the capital was there. But in each case, local groups killed the project because of objections to potential pollution, environmental and scenic damage, et cetera. We call that "social limits to growth." Not physical limits, social. And these social limits to growth, we believe, will dominate and inhibit the growth curves.

The great economist, Schumpeter, once made a comment that rapid economic growth is always accompanied by creative destruction. You have to eliminate old buildings, old people lose their jobs, a lot of the old traditions disappear, you name it. Advocates of social limits oppose destruction of almost any kind, creative or otherwise.

When you're poor or dynamic, you emphasize creation. As you get richer, you start to emphasize destruction. Particularly, upper middle-class elites in our country tend to find that with further economic growth, they are losing out in their own class interests, that is, their special position is becoming less special. Hence, the large-scale opposition to economic growth by, if you will, upper middle-class elites.

Now tourism, when it's rapidly growing, is one of these things which causes creative destruction—by tearing down old facilities to build new ones, by expanding roads into rural areas, et cetera, and that means that people aren't going to like it. It means that if the case for tourism is not well represented, it will lose out in the arguments. And tourism, as you know, is not represented. It's too split up an industry, too fragmented. Airlines don't think of themselves as being a tourist industry. Hotels, even, don't think of themselves as a tourism industry, and so on.

So I do feel that your instinct here, that you urgently need in the coming world a representation of the tourist industry as an industry, you know, to fully represent its values and its needs in our society is an absolutely sound one. Otherwise, the many forces which are now against any kind of change would simply win the argument. There are people, for example, who would like to operate this country as one huge museum, with no change at all.

I am not saying, by the way, that the battle should always go to the creation people. As we get richer, getting even more rich becomes less important and the damage and cost involved in doing so may become more important.

What I am saying is that any rapidly growing industry that expects to win these kinds of arguments against the social limits to growth, better have the clout it deserves. And we'll only get that if it's fully represented by private or public organizations.

All right, that's enough of the general background.

I wanted to use the concept of what we call the great transition. It's a concept which is widely debated around the world today. We think it is a largely materialistic thing. Many people think of it as a spiritual or conceptual concept.

My form of the great transition is at the top of the page, and let me read it to you. Two hundred years ago, human beings were almost few everywhere, poor, and at the mercy of the forces of nature. Two centuries hence, barring some perverse combination of bad luck and/or bad management—And I think it's really bad luck, dedicated bad management—they should be almost everywhere, numerous, rich, and largely in control of the forces of nature. This transition is from preindustrial to postindustrial.

Now there are about 10 preindustrial cultures in the world and lots of subcultures, and we suspect that there will be an equal number of postindustrial cultures. Notice, the term postindustrial is chosen carefully, not to tell you what it is, but what it is not—it is not preindustrial or even industrial, but postindustrial.

Let me give you an example of this in agriculture. We are now talking about primary industries as a whole. Primitive man, and actually, even civilized man, up to a very high level of civilization, generally put about 90 to 95 percent of his effort in dealing with nature. For every man in the city, you had 10 to 20 people outside of the city to support him, either in agriculture, forestry, fishing, mining.

Today, in the United States, we have just about reversed those numbers. Every individual in the United States in the primary fields tends to support 20 people, But the transfer, the change, is complex. One of the reasons it takes so few people in primary industry, in this case agriculture, to support these Americans is that agriculture is very efficient. It is superagriculture. It produces an incredibly large variety of products in abundance. And when we talk about the postindustrial world, that's curious because industry itself has become superefficient.

In other words, the importance of industry doesn't disappear; it just doesn't take many people. In the United States, we don't think of agriculture as unimportant; it just takes about 3 percent of the population to produce 95 percent of the foods and fibers that we need. So I want to make that clear. Postindustrial does not mean no industry. It means the exact opposite. It means super efficient industry.

The transformation is described in detail on this chart. I won't bother spending any time on that.

Now, I will describe why we bring up this issue of great transition. First of all, methodological. As a planning tool, it is the most useful model of what is going on. I do not believe you can under-

stand many current issues unless you have a context like this. This remark was not true 20 years ago. I don't think it will be true 20 years from now. It is true in 1982.

Normative. It's an inspiring and positive image of the future. You'd like it to happen that way.

And finally, descriptive and predictive—it probably will happen that way. This third one is the least important of its uses. We don't care if we're guessing it right. We're trying to describe the current situation. If it's a Martian invasion or a very large nuclear war, these things might be different. But in terms of dealing with current policies, this is the way I think you have to look at it.

Now this is quite different from what could be called the conventional wisdom. In every OECD school today,—that is, schools in developed nations—as far as I know, or almost every OECD school, young people are talking about running out of raw materials. The exact opposite seems to be true, by the way. They're taught that the United States is a kind of moral criminal because only 6 percent of the population is using up 40 percent of these raw materials for its own use.

Now if you really were running out, that would be a crime. But the main reason why these other countries are rich is precisely because we're using up 40 percent of the raw materials. Without that, you'd have worldwide collapse.

They're taught that they will not live as well as their parents lived, and finally, they're taught that the running out is due to frivolous reasons—you know, electric tooth brushes, or something.

They're also taught that we're polluting the environment beyond repair, that we're destroying the ecology. And in the United States, we add that business produces unsafe products for employees and consumers—carcinogens, say.

That's a very bad picture of the world. If that picture is not corrected, some of my projections will be wrong. But I believe it will be corrected, partly as a self-fulfilling prophecy.

The U.S. Government has not been helpful in correcting this. This is the most recent report by the U.S. Government on these issues, Global 2000. I don't want to read all of it, so for those of you who don't have copies, just let me tell you that it presents just about as depressing a picture as you can get.

I really think the report was a mistake. In some of my harsher moments, I almost say it's like pornography—no social redeeming virtues.

That's a little too strong. It addresses a lot of important questions which should be addressed and the people did as good a job as they could. But they came from a milieu in which they had a fixed perspective which the data did not change. Let me give you an example of how the data doesn't change.

Now the best data that we have from U.N. studies, Census Bureau, Population Council, other demographers, is that world population decreased at a very low level, say about 20 percent a year for like 10,000 years—I'm smoothing it out now—and then, it suddenly started to increase in the 16th century, 17th century. It peaked in about the mid-1960s at about 2.1. It is now about 1.7 and decreasing rapidly.

We call this the spike curve. I've exaggerated the width of it. At the 100-year point, it's about 1 percent, which means that if I drew it to scale, the curve would look like this [indicating] flat, single line coming down, same line, flat. It is the most interesting curve that I know about in all the curves that we pick up, and we pick up hundreds of them. My last four books have included this curve, and almost every briefing. Not because I'm frivolous, but because it's an important example of what's going on. It's the archetype.

This is not exponential growth when you have a single spike. Exponential growth would be a plateau. The metaphor of exponential growth is incredibly misleading here. We call it "S" growth. Most curves are ess, by the way.

I have a long chart here. Why isn't this curve better known? I'll summarize by simply saying that the system is not responsive to good news.

It's an interesting curve. The kids are fascinated by it. I know of only three schools in the United States that teach it. It is, by the way, much better documented than these exponential curves, to put it mildly.

Let me draw one final chart to your attention, one or two, and then I'll make a few comments about tourism, if I can and how it fits into this general picture, and then we'll have questions, if that's all right.

I have a chart which is called "The Problem-Prone Super-Industrial Economy." We sometimes call it, "The Emerging World-Wide Problem-Prone Super-Industrial World Economy."

There are a lot of problems going on. When you make this great transition, it's not easy. It's risky. And it may be that we will fail to do it adequately. I list 13 problems that are serious problems.

The point that I'm making is that we tend to worry about the wrong problems. I have a series of problems which we are not deeply worried about at the Hudson Institute, though you can't ignore them either. You've got to work on them. And we would claim on these 9 problems, we have a *Scotch* verdict that in all probability we know how to fix every problem that we are aware of. I list 10 problems at the bottom of that page of which we cannot make such an arrogant remark, and it is an arrogant remark, by the way. We actually make something like the following statement: If you want to argue with us on any of these first nine issues, and you're willing to spend 3 or 4 hours with the appropriate staff member of the Hudson Institute, I bet you 10 to 1 you'll come out on the same side that he is on.

You can't make a much more arrogant remark than that. By the way, it's based on experience.

I can't make any *Scotch* verdict claims on the bottom 10 lines.

Now what does tourism play in all of this? As we see the great transition, you start out in primary activities; if you remember, 95 percent of the people are so engaged. Later on, they move to construction and industry and that's how the country makes its living, and we're sort of used to thinking in those terms.

Now if you go back to 1950, we had about 50 million people actually working, half in goods-oriented jobs, half in service-oriented jobs. Since then we have about doubled the work force without

adding a single person, basically, to the goods-oriented jobs. We're all service.

Now many Americans don't like a service economy. It doesn't satisfy their machismo desires. And I'm not saying this in derogation. I have those same machismo desires. I don't think that a country is complete without a steel industry, an automobile industry. It's straight machismo which fortunately can also can be rationalized on national security grounds.

So I am not against industry and even big industrial complexes. Really, it's the first time I've gone from being a free trader to advocating some protection for national security, even for psychological reasons.

But that's not the wave of the future. I'm doing a book on the future of West Germany, and one of their problems is that they're a little stuck in what we call mid-20th century industries. They're not into semiconductors. They're not into computers. And they're not even with the French, who are into things like beaches and perfumes, which are also 21st century industries.

Now our trade representative understands this issue perfectly and has for the last 4 years; the big blocks which are bothering him right now are blocks to the service industries. Tourism doesn't usually have that trouble, except for what has already been mentioned by the chairman and Senator Cannon—other countries compete better for our tourism than we compete for theirs. So we do run into problems of that sort.

But tourism is probably the outstanding service industry, the one that is going to surpass all others. Now that's not the only reason that we're interested in tourism. Tourism, first and foremost, is a quality of life experience. Now the tourist experience can vary all over the map, from a sense of oneness with God, to going into a pornographic movie, to going to Mount Rushmore and get a sense of the history of the country.

The second largest tourist attraction in Arizona, where I'm spending a lot of time recently is London Bridge, which was imported from London. The man who bought it thought he was buying the Tower Bridge, which is a very impressive bridge. Why it's such a tourist attraction, I don't know, because it's nothing to look at. But, as you know, everybody has heard that London Bridge is falling down, and to find it standing there in Arizona is kind of an exciting experience.

Now you have real conflicts in this tourist experience. For example, we've looked at the Grand Canyon at some length. One of the really great experiences you can have is going down into the Grand Canyon in a helicopter. Further, it has the great virtue of not disturbing the canyon. On the other hand, if you are taking a raft down the river and have a sense of being one with man, one with nature, and you see these helicopters going up and down, it sort of spoils your experience.

So within the tourist experience you have conflicts. But the major conflict with the tourist experience, I believe, is going to be in this concept of creative destruction.

Now tourism itself is often a force for good. People find it important to preserve landscapes because they want to attract tourists.

They want to preserve a 50-mile visibility because, again, the tourists like that. But in many cases, it causes conflicts.

Some of this involves conflicts between middle-class and upper-middle-class values. Let me ask you for a moment, if you are upper middle class, what artifact of mankind do you find most annoying? A very large number find the snowmobile. You know, it makes noise and it makes tracks in the clean snow. But if you go to the Midwest, you find that people who used to be very depressed in the winter now can't wait until winter comes. Why? Snowmobiling and cross-country skiing. Both have sort of made the great quality of life experience.

The two, by the way, conflict with each other. And while these are not necessarily tourist experiences, I'm just trying to make the point that the enormous growth of tourism not only wants to be nurtured; it also wants to be curbed a little bit. You know, in other words, it has to be channeled in ways where it emphasizes the creation and less of the destruction.

But in doing this analysis, it's terribly important that it not be dominated by upper middle-class values. It should be dominated by the values of the average man; the middle class, if you will.

I think that that's the main thing, the main points that I wanted to make. I used to give a kind of 4-hour briefing on this, covering the same material that I just now covered. So obviously, I've left out more than I included. But I think that this is about what the Senator wanted me to do. So I'll take questions, if you wish.

Senator PRESSLER. Well, I thank you very much. Let me ask you about the balance of payments in the U.S. travel account. Last year, as I understand, for the first time there were more international travelers coming to the United States than there were Americans traveling abroad. However, at the same time, the dollar has strengthened considerably and has discouraged some travel to the United States.

In light of this, do you feel that we will achieve a favorable balance of payments in the travel sector?

Mr. KAHN. It generally takes a few years for the kind of high value of the dollar, if you will, to encourage U.S. tourism abroad and back. I would not be surprised, particularly if the recession continued in Europe, and the world, that it would vitally affect tourism, and particularly, if I'm right, I'm expecting a boom in the United States. So if the United States had a kind of high prosperity and the rest of the world was sort of less properous, I would assume that we would lose in the balance of payments very fast.

My own belief is that interest rates will be going down. That will not bring the dollar down very much, but it will bring it down a little bit. In the long run, I think the United States is going to be one of the most attractive countries in the world to visit.

So it wouldn't surprise me if there weren't a deficit in the tourist balance in, say, 1983 and 1984. I'd be terribly surprised if that was a long-term tendency.

Now all of this depends on concepts of which countries are in a recession and which countries are in boom. I'm expecting, I repeat, a boom in the United States and a recession in Europe.

Senator PRESSLER. I was interested in your remarks that the tourism industry isn't regarded as well or as macho as the steel in-

dustry or something like that. Recently, I had someone tell me that if you engage in the fundamental productions of wealth, which is agriculture or mining, you feel more of a sense of accomplishment than if you are in a profession where you are engaged in something that has to do with the exchange of wealth, so to speak. And perhaps that is part of the problem. I certainly don't think that tourism has a bad image; but it seems as though we have a very hard time getting a high priority for it in our Government.

Mr. KAHN. I think that there's no question that Americans tend to think of the service industry in general as a little frivolous, if you will. It was once mentioned in one of our meetings that if we allowed comparative advantage to really hold, we'd find the United States mostly manufacturing Coca-Cola, records, children's clothing, and high technology. And that would not look like a complete country to most of the people concerned.

I think there's another point, too. Tourism is not vital. It's clear that that's true. But it's a very vital part of national economic health because it's a big part of the country. It's going to be an even bigger part. But because it's not a life-and-death issue, it tends, I think very much, to be denigrated and simply not worried about enough.

You remember when they had the gas shortage, the thing virtually killed the tourist industry in the United States that year for reasons which were totally incorrect. But the tourist industry just wasn't represented and couldn't offer a more accurate picture. The basic system was run so that the gas stations would get a fair share of the gasoline, without worrying very much about the impact. Do you remember that we had this absolutely crazy situation—plenty of gasoline in the tourist areas because nobody was there, and in the areas where the people lived, there was no gasoline at all, so they couldn't believe that there was gasoline in the tourist areas. As a result they refused to drive out there, which was just a crazy situation, a huge economic loss for no reason whatsoever.

My own attitude is that the most important thing in this post-industrial world is the quality of life, the experiences that people have. And this is not a question of string quartets. This is a question of what people do. Now the average American's leisure time, the most important activities are visiting relatives, camping, and, increasingly, travel. And travel is the name of the game in tourism.

There are different kinds of tourists. I use the U.N. definition of "tourist": Anybody, except military, who is living away from home. Tourism is very important when you define it that way, both in running the world's affairs and in giving people a high quality of life. And it's important to do that.

Senator PRESSLER. One final question before I turn it over to Senator Cannon. What sociological factors do you see developing during the next 20 years which support the idea that travel and tourism will become the world's largest industry? I know that you see the possibility that there might be transcontinental underground travel systems. I've heard that you apparently do not see energy availability as being a problem in the long run, at least not in the next 50 to 75 years.

Mr. KAHN. I'll put it stronger than that. We do not expect energy to be a serious problem any more than it is currently a problem, and it's fairly high priced, barring cyclical type things. My own expectation is for a collapse in oil prices in the next year or two. And the recovery will be very partial.

There's a lot of technology available, but none of it can be really used today because of the high interest rates. If you ask, how was the United States built? From 1800 to about 1955, the Government could borrow 30 years on 2 percent bonds almost that entire period. AAA Corp., 3 percent.

Today, the discounted cash flow that a corporation wants before it does a project is 15 to 20 percent after taxes which is like 20 to 25 percent before taxes. There are presently a lot of projects which would be perfectly viable if you could amortize them over 30 years. But there are practically no projects which go if you have to amortize over 5 years. Almost all of the big tourist projects, you know, are remarkably capital intensive, and that means that most of them just won't go until you get the system straightened out.

My own guess is that you're going to restore the 2 percent, 30-year bond within 5 years. That should discredit me totally. And then you're going to see a lot of these capital-intensive projects going. It will be kind of exciting.

We have the new high technology, which is also kind of exciting. This is the information-communications technology. And this means, like, for example, people are already making videodiscs which they change every few months, which will give you 20 or 30 or 50 pictures of what you want to look at. You know, you can store what's happening, the pictures, on one disk. It gives you a much better picture of what's happening, that kind of thing.

The basic things are quite simple. There's more money available for travel. That's the No. 1 issue, if people have the money. Second, there's more time available because of greater efficiencies and larger retirement. Certainly, it's more convenient than ever before to travel. In other words, you have lots of airplanes, and fares aren't very expensive. Whether you decide to go to Boston or Florida or California is not determined by the price of the airplane ticket any more because none of them are that expensive. People like travel more. They enjoy it. You've got a lot of travel-oriented organizations, all the way from a part-time sharing of condominiums to tours, to public relations and advertising firms that try to get other people here, and so on.

And as I said, the emphasis in quality of life is on appreciating it, not on earning a living. And quality of life is typically characterized by what you call the tourist experience. We're all pushing in that direction.

Senator PRESSLER. Senator Cannon?

Senator CANNON. Thank you, Mr. Chairman. Mr. Kahn, several times in your reference to the tourism issue, you referred to leisure time activities. In making your projections, did you consider only leisure time, or did you consider convention business as a part of the tourism overall?

Mr. KAHN. We use the U.N. definition of a tourist: Any traveler other than military. So all of business travel is included, and we even include travel where a person is living away from home, for

one reason or another, but has not permanently moved. We're using the broadest definition of tourism, which is the U.N. definition.

Senator CANNON. Would you explain to me the difference, here, in your statement? I don't quite follow that.

Mr. KAHN. There's no difference in there. They're simply more concrete. And what we're showing over here is that in an incredibly large number of countries, you used to have 25 percent of the gross national product go into the hands of Government, and now that's 50 percent. This trend, which covers the last 25 years, can't continue.

The United States, by the way, is not badly off in this kind of a test. We vary between 30 to 35 percent of our gross national product going through the hands of Government. If you look at Sweden, the Netherlands, Norway, France, or Germany, the United Kingdom, or Canada, you see it's way up there.

The Japan thing is misleading. It's up as high as the United States, but in the Japan case, a good deal of that is investment, not transfer payments and social security.

Senator CANNON. So if we were to put the United States on that lower chart, it would come out just about where you indicated on your upper chart.

Mr. KAHN. Yes, about 32 percent. In other words, well below Italy, but above Australia.

Senator CANNON. Around Australia's figure.

Mr. KAHN. Just above Australia and Switzerland. In other words, one of our problems is not the simple one of putting too much money through government, as compared to other countries. We do put too much money through government, by the way, but it's not that dramatic, is what I'm saying. This is not an argument for not cutting expenditures. It is an argument for putting things into perspective.

Senator CANNON. Thank you, Mr. Chairman.

Senator PRESSLER. Thank you, Mr. Kahn. We appreciate very much having your testimony.

Mr. KAHN. Thank you.

Senator PRESSLER. I shall now call on Peter McCoy, the Under Secretary of Commerce for Travel and Tourism, and the first person to occupy the newly created post that the new legislation creates.

Peter, we will hear your statement and then we will have some questions.

STATEMENT OF PETER McCOY, UNDER SECRETARY OF COMMERCE FOR TRAVEL AND TOURISM, DEPARTMENT OF COMMERCE

Mr. McCOY. Thank you, Mr. Chairman, members of the Committee. I am pleased to be here today to testify on current trends and future prospects of U.S. tourism. Unless you have an objection, I will summarize my testimony and submit the complete text for the record.

Senator PRESSLER. Thank you. That would be very useful, if we could go on the 10-minute rule, and then we'll go into questions.

Mr. McCoy. Thank you. 1981, for the U.S. travel industry, was a year of mixed results. Domestic tourism receipts rose to approximately $171.2 billion in current dollar terms, an increase of about 11 percent. Real growth—receipts minus inflation—was only 1 percent, however, one-half the rate of growth of GNP. Person trips and vacation trips rose, but trip length shortened and convention-related travel declined. Lodging industry receipts increased and room occupancy rates climbed slightly. Intercity bus passenger miles were down, although current dollar revenues for intercity bus companies were up slightly. There was no growth in real terms.

Airline international passenger miles inched up three-tenths of 1 percent, but domestic revenue passenger miles fell nearly 5 percent and the average passenger load factor for the industry was below the 1980 level. The carriers suffered an operating loss of between $250 and $300 million.

U.S. international tourism receipts rose roughly 15 percent, to $11.7 billion. This record marked the first time that the U.S. international tourism receipts equalled U.S. international tourism payments. However, real growth, measured in constant dollars, amounted to only 5 percent, the lowest since 1979 and below the annual average.

Despite some immediate problems which are described in my prepared text, the long-range outlook for domestic and international tourism is moderately favorable. Tourism will grow, although probably less rapidly than in the past. In 1990, we can expect about 32 million foreign tourists and approximately 2 billion domestic person-trips.

International tourism receipts will become an increasingly important factor in the economy and in our trade balance. We have recorded a deficit in the merchandise trade since 1976. We are losing our share of international goods markets. Merchandise imports are on the rise. Last year, merchandise imports exceeded merchandise exports by nearly $28 billion.

We must seek out new markets and earn the foreign exchange necessary to finance our mounting merchandise trade deficits. The long overlooked international tourism market represents one important target of opportunity and there are persuasive reasons why we should single out that opportunity for special attention.

First, receipts from foreign tourists do offset U.S. expenditures on goods imports. Second, international tourism is an expanding market. Since 1960, the value of international tourism expenditures globally has risen by more than 1,400 percent. Third, tourism stimulates exports of goods. Last year, foreign tourists visiting the United States purchased $2.7 billion worth of consumer goods. Finally, the international tourism market is one in which the United States enjoys a comparative advantage. This country has ranked consistently as the world's No. 1 earner of international tourist receipts. Last year, we earned almost twice as much from international tourism as the No. 2 ranked country, Italy, and more than five times as much as Canada.

Looking to the future, I see several fundamental needs that require attention:

First, the restoration of economic health, for only a smoothly running economy will create consumer confidence, discretionary income, and the vacation benefits which make tourism accessible to the ordinary citizen.

Second, a larger U.S. share of world international tourism and transportation receipts.

Third, the spreading of domestic tourism demand and preservation of overcrowded national park lands.

And fourth, better U.S. tourism statistics.

The Federal Government has an obvious role to play in achieving these needs, but I submit, so, too, do State and local jurisdictions and private citizens. For example, it is a Federal responsibility to conserve and to protect federally owned tourism and recreation resources. At the same time, however, these resources belong to all of us and each of us, in his role as a citizen, bears the responsibility of stewardship.

That concludes my summary, Mr. Chairman.

Senator PRESSLER. Thank you, Mr. McCoy. I want to congratulate you on your excellent testimony. For a relative newcomer on the Washington scene, you have proven to be a fast learner. However, it is a fact that no matter how imaginative and hardworking you are, it still takes financial resources to do a first-rate job. In my opinion, the budget that you have been offered for 1983 is inadequate to do the job mandated by Congress and approved by the President last year.

It is my firm intent to work to increase the budget of the U.S. Travel and Tourism Administration to a reasonable level.

I don't want to put you in an awkward position by asking you to comment on this matter; nevertheless, your views on the budget that you have been offered would be most useful.

Mr. MCCOY. Our current year budget is $7.6 million. At that level, it was necessary to reassign personnel and to institute a 13-person RIF within our organization. The RIF is indicative of the impact of the budget constraints under which we operate.

Senator PRESSLER. So do you feel that with the OMB budget, could you meet your responsibilities?

Mr. MCCOY. Well, quite frankly, the $5 million is not adequate to do all of the things, perhaps, which we should be doing and I would suggest that we would have to go outside the agency to develop alternate sources of funding. It will be time-consuming and with the cyclical demands of the industry, I am not 100 percent sure that that alternate funding could be in place to impact on the 1983 travel season.

Senator PRESSLER. In your summary statistical analysis, you stated real growth for U.S. tourism receipts was only 5 percent. Do you attribute this to a sluggish world economy or other factors?

Mr. MCCOY. I think, to a certain extent, you have depressed economies abroad and rising airline fares and difficulty with interpoint transfers, so, yes, I would.

Senator PRESSLER. Now you pointed out the fact that virtually 100 percent of the U.S. travel deficit in 1981 is attributable to U.S. passengers traveling on foreign carriers, I believe. This is a topic that I mentioned during other hearings. Restrictions in foreign markets and discriminatory landing fees are hurting our carriers

and I have urged the State Department to work vigorously for fairer competition in international markets.

I congratulate you for making a commitment to assist U.S. carriers. What other plans do you have in this area?

Mr. McCoy. At this point in time, I have talked to a number of people involved in the airline industry. I have not addressed it specifically, other than to note that there is an imbalance in various landing fees and surcharges on fuel in many foreign ports.

Senator Pressler. I think your testimony was good. You pointed out that the industry accounted for 35 percent of all new employment in 1980 and 16 percent in 1981, a year of recession. I think this points up the importance of tourism.

Let me say that your comments on the West German system of spreading out peak travel periods were very interesting. Do you think that this might be a subject which the Tourism Policy Council, created by the National Tourism Policy Act, could look into further.

Mr. McCoy. I think it is, at some point in time. There are many other things also that they would have to be addressing. It's a more complex problem. As you know, in West Germany, they have staggered their school vacations, which dictate many vacation periods. It's certainly something that has been talked about, not only in the tourism sectors, but in other sectors of our economy and there's quite a bit of merit to it, just flattening out the peak periods of travel.

Senator Pressler. Senator Cannon?

Senator Cannon. Thank you, Mr. Chairman. Mr. Secretary, under the USTTA budget for fiscal 1983, would the convention office in Paris be kept open?

Mr. McCoy. At this time, it would, sir.

Senator Cannon. It would.

Mr. McCoy. Yes. Under the 1983 budget of $5 million. As you know, the National Tourism Policy Act, in effect, says that we should have a budget of $6.4 million I believe, for overseas operation and a staff level of 45 persons. Under the $5 million budget for 1983, we could maintain the foreign offices, but would have no funds for programs.

Senator Cannon. No operating funds for any programs?

Mr. McCoy. That is correct.

Senator Cannon. Well, the existing law requires that funding for the Travel and Tourism Administration's overseas offices not be less than what was spent in fiscal year 1980. In fiscal year 1980, $6.4 million was budgeted.

Now isn't the Administration's budget request of $3.84 million for fiscal year 1983 inconsistent with existing law?

Mr. McCoy. It would appear to be.

Senator Cannon. It would appear to be? It either is or it isn't.

Mr. McCoy. Well, it is.

Senator Cannon. It is.

Mr. McCoy. But in looking at the two balances, if we were forced to live with the $5 million budget, we felt it was best to at least stay with the intent of the Policy Act and keep the 45-person staff level intact.

Senator CANNON. In the past, Congress has rejected proposals from various administrations to assign personnel to 9 countries to promote tourism and to budget $1.1 million for that purpose. One of the reasons that we thought this program was unsound was that $1.1 million would have been largely taken up by salaries, and there would be no money for programs.

Wouldn't the same be true with respect to your 6 overseas offices with their combined budget of $3.84 million?

Mr. MCCOY. The personnel that would be assigned to that budget would be marketing personnel.

Senator CANNON. They're marketing personnel, but still, they're not able to carry out any programs, since you say that there's no program money. What do you propose to do?

Mr. MCCOY. We'll have to look to the private sector and to other funding techniques to properly institute those programs abroad.

Senator CANNON. Well, I'm sure that everyone agrees that the Federal Government should have a catalytic role in international marketing. They should serve as a focal point or coordinator for regional, State and private sector ventures. But do you believe that the Travel and Tourism Administration should also have a marketing plan which does more than mobilize the efforts of the States and the private sector?

Mr. MCCOY. In the ideal world, yes.

Senator CANNON. Well, you say in the ideal world. The law actually requires that, doesn't it?

Mr. MCCOY. It does. The marketing plan that we will deliver on March 22, I believe, will describe some of the marketing activities which USTTA intends to conduct at the $5 million level.

Senator CANNON. Let me read to you subparagraph 15 of Pub. L. 97-63:

> Shall develop and submit annually to the Congress within six weeks of transfer to the Congress the President's recommended budget for implementing this act, a detailed marketing plan to stimulate and encourage travel to the United States during the fiscal year for which such budget is submitted and include in the plan the estimated funding and personnel levels required to implement the plan and alternate means of funding activities under this act."

Now do you intend to comply with that provision of the law?

Mr. MCCOY. Yes, sir. I believe the date will be March 22 for delivering the marketing plan.

Senator CANNON. Is the $3.84 million for overseas marketing sufficient to develop and implement such a marketing plan, as defined in the statute?

Mr. MCCOY. Well, it will maintain the staff level and then alternate funding that you referred to will be the source of implementation of the programs.

Senator CANNON. I didn't hear the last part.

Mr. MCCOY. Alternate funding would be the primary means for implementation.

Senator CANNON. Yes. Well, what is that form of implementation?

Mr. MCCOY. We're designing that program right now, sir.

Senator CANNON. You haven't decided on that?

Mr. MCCOY. No, sir.

Senator CANNON. Well, we'll look forward to when you send that up and look forward to you telling us at that time how much Federal money is needed for implementing that plan.

You know, about 99 percent of the tourism industry is small business. And most of those enterprises have little, if any, money for promotion. I wonder if you really believe it's realistic to expect them alone or cooperatively to do overseas promotion, inasmuch as most of their business is from the domestic market?

Mr. MCCOY. Probably not, sir. I think that they can benefit, though, from their State and city and local beneficiaries contributing to an overall plan, along with some industries that also benefit from the tourist dollar.

Senator CANNON. You're suggesting that the States and the local agencies would be able to pick up the slack? Is that what you're saying?

Mr. MCCOY. I am suggesting that they would be a possible source of funding for efforts that would benefit their areas.

Senator CANNON. Well, let me say this about the new "New Federalism" plan. The analysis so far in my own State indicates that we're going to have about a $42½ million shortfall there in the ability to handle the programs turned back to the States. That means that we'd have to, on the average, raise taxes 8½ percent for our total tax revenue.

Now is it realistic, to assume that our State, therefore, would be able to take up this slack and provide the resources that are required?

Mr. MCCOY. No; I wouldn't think that they would pick up the whole slack. But I know in your State, the Las Vegas Convention and Visitors' Bureau and similar entities in Reno and the hotel industry within that State, if we were to devise a marketing program that were to benefit that area, I'm sure they would be willing to participate in offsetting part of the costs in that they are the direct beneficiary of those efforts.

Senator CANNON. Well, last year, the total spent in all 50 of the States was $136 million for travel promotions. All but about 2 percent of that was for domestic travel promotions. That is less than $3 million per State.

Mr. MCCOY. Well, if we were to have 5 percent of that, we could do a wonderful job.

Senator CANNON. It just seems to me——

Mr. MCCOY. I might say, Senator, excuse me. The $136 million does not include any private sector promotional efforts in that number.

Senator CANNON. No; that's what each one is doing on its own. But I can tell you from my own State, the convention authorities right now are busy cutting back, trimming back, because of the economic situation they're up against now. They are cutting back rather than expanding their effort.

Mr. MCCOY. That's the same thing that the Federal Government is doing.

Senator CANNON. Well, I don't want to belabor it, but it seems to me quite clear that you and the administration are completely disregarding what Congress said you should do in legislation. I may say that that wouldn't be the first time that I think the intent of

Congress has been disregarded. But I would hope that you would try to comply a little more than you are apparently doing here at the present time.

Thank you, Mr. Chairman.

Senator PRESSLER. Thank you very much, Mr. McCoy. Thank you very much for your testimony.

Mr. MCCOY. Thank you, Senator.

Senator PRESSLER. If you have additional remarks that you want to submit, we'll be glad to place them in the record. And we thank you for being here this morning.

[The statement follows:]

STATEMENT OF HON. PETER MCCOY, UNDER SECRETARY FOR TRAVEL AND TOURISM, DEPARTMENT OF COMMERCE

Mr. CHAIRMAN. Members of the Committee.

I am pleased to be here today to testify on current trends and future prospects of U.S. tourism.

I. INTRODUCTION

By any standard of performance, tourism to and within the United States is growing, and, barring major catastrophe or disruption in the distribution of fuel, should continue to expand at a healthy rate. Yet, to characterize the state of tourism—and the tourism industry—is not an easy assignment.

Simple conclusions cannot be drawn. Sweeping generalizations are not useful. 1981, for the travel industry, was a year of paradox and mixed results:

Domestically, tourism receipts and number of trips were up, but much of the growth in receipts was attributable to inflation;

Vacation trips rose, but convention-related travel declined;

Lodging industry receipts increased and room occupancy rates climbed slightly;

Current dollar revenues for intercity bus companies were up slighlty, but there was no growth in real terms;

Airline international revenue passenger miles inches up 0.3%, but domestic revenue passenger miles fell nearly 5% and the average passenger load factor for the industry was below the 1980 level. The carriers suffered an operating loss of between $250 and $300 million.

In short: the travel industry in 1981 was an economic sector buffeted by the forces of inflation, recession, deregulation of the airline and motorcoach industries and by the lingering effects of the air traffic controllers' strike on the airways system. Some segments of the industry withstood those forces better than others.

II. INTERNATIONAL TOURISM IN 1981

The U.S. tourism "product"—in the sense of gross national "product" or net national "product"—is comprised of two distinct components: international and domestic. I would like to call your attention to the more important developments which occurred last year within each of those components. Let me caution, however, that my observations are based on preliminary data.

First, international tourism:

International tourism receipts rose roughly 15 percent to $11.7 billion, last year. This was an alltime record and marked the first time that U.S. international tourism receipts equaled U.S. international tourism payments to other countries.

Most of the growth in U.S. receipts last year was attributable to inflation in the U.S. tourism sector. Real growth, measured in terms of constant dollars, amounted to only 5 percent the lowest since 1979 and below the annual average.

1981 was the ninth straight year in which real growth in tourism receipts outpaced real growth in tourism expenditures however.

The travel deficit

Despite the fact that the tourism account moved into balance last year and U.S. transportation receipts from foreign passengers increased 24 percent, the U.S. travel deficit widened for the first time in five years. The deficit at yearend stood at $1.9 billion.

Passenger fares paid by U.S. nationals to foreign air carriers—and I call your attention to this fact—accounted for virtually 100 percent of the deficit. This gap be-

tween U.S. fare payments and U.S. fare receipts was the largest on record, and its causes are worth noting.

First, the composition of the air travel market is changing. The foreign national share of the total market was 37.7 percent in 1970. Today it is approximately 52 percent.

Second, for a variety of reasons, including practices of foreign, government-owned airlines, U.S. carriers have had little success in penetrating the foreign air market. Overall, the U.S. flag share of the foreign citizen air market has remained at about 41 percent for the past decade.

Third, foreign carriers have increased their share of the U.S. air market. In 1970, the foreign flag share of the U.S. market was 38 percent. Today it is 44 percent. The only segment of the U.S. market in which U.S. carriers have achieved an increase is the South American segment.

I am not unmindful that my Department—in fact, my agency—is vested with authority to "encourage to the maximum extent feasible travel to and from the U.S. on U.S. carriers.

The former Assistant Secretary for Tourism sent out a mailing to the CEOs of the *Fortune* 2000 urging adoption of a corporate policy requiring company employees to use U.S. airlines when traveling abroad on business. At least 88 companies reported that they already had such a policy. Thirty-three wrote that they would institute a policy. Thirty-six responded that they could not support a "Fly U.S. Flag" policy. Although the response was mixed, we will consider a similar effort in the future.

Trends in shares of tourism receipts

Perhaps as troubling as our growing transportation deficit is the fact that the U.S. share of the world's tourism receipts has been eroding since 1976 and has remained below the 11 percent mark since 1978.

On the other hand:

1. The U.S. share of regional tourism receipts (those earned by countries of the western hemisphere) has been expanding steadily over the past two decades and risen from a low of 38 percent in 1960 to nearly 51 percent in 1981.

2. U.S. receipts from international tourism are growing faster than U.S. export earnings as a whole.

3. And no country in the world earns more from international tourism than the United States.

Clearly, however, one of our goals as a nation should be to expand the U.S. share of world transportation and tourism receipts.

Trends in U.S. international tourist arrivals

U.S. international tourist arrivals (visitors staying at least 24 hours) increased 3 percent during the year, to 23.2 million. For the first time, foreign tourist arrivals outnumbered American tourists traveling abroad.

A strong upsurge in travel from Mexico accounted for approximately 85 percent of the U.S. gain in international tourist volume in 1981. Increased numbers of tourists from the United Kingdom and Venezuela also contributed significantly to the advance.

The U.S. share of total international tourist arrivals remained at 8 percent, virtually unchanged, even though the rate of increase in U.S. arrivals was less than that for international tourist arrivals globally (4 percent). The Nation's share of Americas region international tourist arrivals expanded to 43 percent, up from 41 percent in 1980.

These developments, and U.S. market performance in 1981 were, at least in part, the result of rising international air fares, the appreciation of the dollar against leading European currencies, rising unemployment in Western Europe, growing competition from developing countries for the world travel market, and the preference of travelers in the principal generating countries for shorter, intraregional trips in times of economic uncertainty.

III. DOMESTIC TOURISM TRENDS IN 1981

U.S. domestic tourism spending rose to approximately $171.2 billion last year, in current dollar terms, an increase of about 11 percent. Real growth—receipts minus inflation—was only 1 percent however, half the rate of growth of GNP.

Nevertheless, there are some encouraging developments:

1. Person-trips increased by about 15 percent through the first nine months of the year; and

2. Vacation person-trips were up about 18 percent.

Trips are growing shorter, however, and business trips, after increasing substantially during the first quarter, declined markedly after the air traffic controllers' strike. The strike, and the subsequent cutback of scheduled flights, appeared to have a dampening effect on all types of travel, personal as well as business.

Other factors which affected domestic travel spending and trip-taking during the year included the recession, higher air fares, unemployment and the resultant cessation of paid holiday and vacation benefits, and general uncertainty about the economic outlook.

IV. PROBLEMS

Due to slower growth in travel spending, the rate of growth in travel industry employment declined in 1981, to only 3 percent, the lowest rate in ten years. Whereas the industry accounted for roughly 35 percent of all new jobs created in 1980, it contributed only 16 percent of new employment opportunities generated in 1981.

This development is cause for concern, especially inasmuch as the travel industry has been a principal source of job opportunities for women, youth and minorities—those groups which, traditionally, have borne the brunt of unemployment in this country. The situation should prove to be temporary, however.

Seasonal concentration of travel demand

Another fact which should concern us is the continued seasonal concentration of travel within the United States. Four hundred and nine million—roughly 36 percent of all person-trips taken last year occurred during June, July and August, according to a sample survey conducted by the U.S. Travel Data Center. Fewer than half that number occurred during the first quarter of the year.

This means that our tourist plant is not used as efficiently as it might be. Nor is it as productive as it could be.

The lodging and resort industries are particularly affected by the seasonal concentration of tourism demand—as are the frostbelt regions of the country. 1977 Census Bureau data show, for example, that while hotels and motels in the sunbelt do a relatively steady business all year-round, those in the frostbelt tend to operate on a feast or famine basis:

1. In New England, two thirds of the lodging business is transacted during a single quarter, the summer period.
2. The other one-third is distributed among the remaining three quarters.

The situation is only slightly better in the Eastern Gateway region. There, only half the lodging business is recorded during the summer quarter. In the Great Lakes and Mountain West regions, the picture is similar: about 40 percent of the business comes in during the third quarter.

Obviously, the situation would be healthier if off-season person-nights could be increased.

Seasonal concentration of travel demand results in locational concentration of travelers. Census Bureau statistics show that 85 percent of the household vacation trips which occur during the third quarter involve visits to museums, historical areas or national parks. This situation has:

1. Caused a deterioration in the quality of life and of the tourist experience in those areas which have become saturated and have exceeded their "carrying capacity"; and
2. Contributed to overcrowding, congestion and ecological damage in the better-known national parks and on other public lands.

Overcrowding has brought many troubling problems to the parks. In a National Park Service State of the Parks report issued in 1980, a ranger at Yosemite calls "the traffic jams you see in the valley . . . worse than anything you will find in Los Angeles at rush hour." A Park Service engineer at Grand Canyon reports that the number of tourists going into the park are so great that campgrounds, especially on the South Rim, are usually filled by 8 a.m.

I submit: our national parks are tourism resources and they must be protected if future generations are to be afforded adequate recreation opportunities.

The basic source of the problem is that the bulk of this country's vacation travel is based on school vacation schedules, and most schools observe a three month summer vacation. The result, in addition to seasonal and locational concentration of tourism, is:

1. Schools that sit empty and unused for three months out of the year.
2. Frostbelt hotels and motels which operate below capacity for three-quarters out of the year.
3. Low productivity gains in the U.S. lodging industry.

4. Seasonal unemployment in those regions of the country whose economies are largely tourism-based.

5. Unfilled potential, lost opportunity, unrealized economic development.

Some of this waste is probably inevitable. Certain properties and destinations are summer resorts which are inaccessible—or even uninhabitable—during the winter months. But, generally speaking, tourism could be put on a more year-round basis.

The tourism ministers of western Europe have been working on this problem for a number of years, they are making progress, and we could learn from their example.

Perhaps the greatest progress has been made by West Germany, due, at least in part, to a three-day traffic jam which occurred a decade ago at the beginning of the summer travel season. This event convinced the nation that steps must be taken to "spread" tourism demand. Meetings were held between tourism authorities, school officials and parents. Eventually, eight of the eleven "lander"—states—introduced a new, three-week school vacation in the Spring. This shortened the summer vacation period and encouraged travel outside the high season. State schools voluntarily adopted a staggered vacation schedule: now each lander has a different summer recess date which changes from year to year, on a rotational basis, so that no lander must contend permanently with an excessively early—or late—school vacation period. The typical school summer vacation period is six weeks.

The West Germans consider their system to be a success, and a number of other western Europeans are studying it. The Netherlands has established a Coordinating Committee for Staggered Holidays in Trade, Industry and Education. Austria has set up an Interministerial Committee on the Staggering of Holidays. And since 1976, West Germany and the Netherlands have coordinated their school vacation schedules because Dutch vacation travelers constitute an important portion of the traffic on West German highways.

I do not propose a nationwide system of rigid and arbitrary school vacation periods for the United States. But I do think the time has come to focus attention on the independent schedule decisions of millions of school districts, which have an enormous impact on this nation's travel patterns, its host communities, its tourism resources and its travel industry. We need to find a way to make these decisions—which affect the welfare of so many—more consistent with the national tourism interest.

Tourism statistics

Another problem area I would like to address is that of tourism statistics.

One of the perennial headaches of the U.S. travel industry and, in fact, many of the services industries, has been an insufficiency of valid economic data.

Such statistics are needed to determine:

1. The actual volume of foreign visitor spending in the U.S.
2. The size of the U.S. travel deficit—or surplus.
3. The true U.S. share of world international tourism receipts.
4. The impact of international tourism on GNP and National Income.

In the absence of these benchmarks, it is difficult to develop Federal tourism policies and programs.

Deficiencies in existing tourism data are not minor. One problem is that part of the data are gathered with a Bureau of Economic Analysis mail-back survey form which is distributed to foreign passengers entering the country by air. No more than 4 percent of the forms which are distributed by the U.S. Customs Service are actually returned.

This is a rate of return which is statistically insignificant and results in estimates of foreign visitor receipts which are probably understated. For example, in 1980, Deutsche Bundesbank reported West German residents' travel expenditures in the United States at $1.1 billion. Based on returned survey forms, the United States estimated tourism receipts from West Germans at less than half that figure—$500 million.

Another problem with U.S. data is that they do not conform to internationally-accepted standards. Due to the small sample size, survey data cannot be reliably disaggregated even though the United Nations Guidelines on the Statistics of International Tourism and similar standards compiled by the World Tourism Organization, call for a breakdown of foreign visitor expenditures by object class.

Statistics on foreign tourist expenditures in the U.S. could be made more accurate—and internationally comparable—if an in-flight survey of departing passengers could be instituted. We have discussed this possibility with major airlines serving this country, and to date, at least 30 have offered to cooperate by distributing—and collecting—survey forms.

I would like to commence the surey in fiscal year 1982. The cost would be approximately $300,000, and right now we are looking into every possible means of financing this important research, including funding from user groups.

Lack of valid domestic tourism data is as much a cause for concern as unavailability of reliable international tourism data. Until this year, Commerce's Bureau of the Census conducted a Department of Transportation co-funded quinquennial National Travel Survey which investigated the volume of household trips, person-trips, vacation trips and characteristics of domestic travel. This Survey was considered to be THE authoritative source of information on domestic travel volume and patterns, and for more than a decade, the industry has been asking that the Survey be conducted on an annual basis.

The last Survey was conducted in 1977. The next Survey was to have been performed this year, funded by the Bureau of the Census and the Department of Transportation. Due to a budget reduction, funds pledged by DOT have been withdrawn from the project and the sum which Census had programmed for the Survey would provide data of such limited use that it was decided to eliminate the Survey entirely.

Right now, within the Administration, we are attempting to prioritize data needs and are studying possible sources of Federal and private funding for the Survey. If such funding can be packaged, I would hope that the Survey could be reinstituted in a future year, possibly as a follow-on survey of the Census.

The data provided by the Survey, is needed to monitor:

1. Trends in domestic travel patterns, including the seasonality of tourism demand and travel flows between regions; and
2. Changes in tourist volume.

The public sector needs to predict infrastructure requirements—e.g., the need for new or improved highways and airports—and to plan investment in tourist facilities.

Let me put this problem in proper perspective. Last year, more than 1 billion person-trips were taken in this country, roughly 4.5 for every member of the U.S. population. The travelers who took these trips represent a sizable, mobile "hidden" population. The number of tourists in an area are not presented in census population statistics, which generally refer to residents, but they nevertheless make demands on the public services and resources of our urban areas and our park lands. They may use public transportation, public parks, public streets and highways, public parking space, public camping areas and public utilities. We must provide for these visitors. More importantly, we must prepare for them because their numbers will increase.

IV. OUTLOOK FOR THE FUTURE

Despite the problems I have touched upon, the long-range outlook for both domestic and international tourism is generally favorable.

International tourism

The World Tourism Organization projects that between now and 1990, international tourism will increase at an average annual rate of about 5 percent. If this forecast is correct, global international visitor arrivals by the year 1990 will total between 460 and 480 million. The Americas will account for about 16 percent, or between 74 and 79 million, of those arrivals. If the U.S. share of regional arrivals remains relatively stable, the United States can expect to record between 31.8 and 33.9 million foreign tourists in the year 1990.

That projection is consistent with a time series forecast by the Office of Policy and Research of the former United States Travel Service which predicts 32.5 million foreign visitor arrivals in 1990 and 43.0 million in the year 2000. (Let me note parenthetically that if present trends continued, more than 12 million of those visitors, or a number roughly the size of the population of New York, will arrive during the summer months).

These projections of growth should not be allowed to obscure the fact that there will be changes in the composition of international tourism demand. In Europe, a principal U.S. market today, the rate of population growth is slowing—an average rate of ½ of 1 percent is expected in the next decade—and the population is aging. By 1990, according to the World Tourism Organization, roughly 13 percent of the European population will be over 65, a figure double the world average.

Although Europe will remain an important U.S. market—and it will continue to be imperative to encourage tourism from that region for both economic and political reasons—Europe will become less important as a source of U.S. tourist arrivals and receipts than it is today.

The relative rank of other countries in this hemisphere, such as Venezula and Mexico, and of countries of the East Asian region will tend to rise. Venezuela already ranks sixth, ahead of France, as a source of U.S. international tourism and receipts. Mexico, already the number one source of travel spending in the United States, will continue to supply rapidly increasing numbers of visitors, a trend bolstered by dynamic, growing, oil-based economic expansion in that country.

Japan will remain an important U.S. travel market into the nineties and beyond, and we will likely see significant increases in tourism from Australia, New Zealand and emergent markets in the area. Between now and 1990, East Asia and the Pacific is expected to register the highest growth in GDP of any region in the world—more than 200 percent, 41 points above the world average. By 1990, the region will account for one-fifth the world's GDP. This improvement in economic wellbeing should be accompanied by increased demand for goods and services, including travel.

Domestic tourism

A number of factors will affect domestic tourism over the next two decades. The health of the Social Security System will have an impact on "retiree tourism". So, of course, will the IRA accounts which those in their forties and fifties began opening this year. IRAs will provide retirees in the year 2000 with more means to travel.

Trends in paid holiday and vacation benefits will influence demands for vacation travel by American in the work force. We should take note of the fact that one of the contract concessions apparently agreed to by the Ford Motor Company and United Auto Workers negotiators is the elimination of paid personal holidays through the life of the new contract. If this proposal is accepted by the UAW rank and file, and if the Ford contract becomes the model for other auto manufacturers or other industries, we can probably expect some decrease in three day weekend trips, at least in the short-run.

This should be a temporary phenomenon, however. First of all, I expect the President's economic program to work. No program can produce miracles overnight, but if we give it time, the President's economic recovery package will increase capital investment, improve productivity, raise profit margins, and provide labor with better fringe benefits. At the same time, it will create new employment opportunities, expand labor force participation and rebuild consumer confidence. Once economic recovery is underway, I think we can expect employee vacation benefits to be liberalized, not curtailed.

The second reason why I believe any trend toward fewer paid holidays—and less travel—would be short-lived is that Americans seem to want more leisure. In 1978, a nationwide pool was taken by Louis Harris on work/time preferences. Significantly, more than 42 percent of those polled said that they would be willing to give up some pay for longer periods of paid vacation.

California workers surveyed in the same year said they would be willing to work longer weeks or longer days in exchange for more extended vacations. Nearly half suggested 44 workweeks of 45 hours and 8 weeks of paid vacation. More than 30 percent wanted 40 workweeks of 50 hours each—10 hours a day—and 12 weeks of paid vacation.

Given economic prosperity between now and the end of the century, I think we can expect average paid vacation time to increase two weeks to four weeks, and if this occurs, demand for travel should expand accordingly.

I have no sophisticated econometric models at my disposal. Nevertheless, I believe that it would not be unrealistic to expect person-trips to exceed 2 billion a year by the year 1990. Vacation trips will probably account for a larger proportion of those trips, perhaps as much as 80 percent, than at present.

Domestic vacation trips by 1990 should number in the 1.6 billion range. However, while there will be continued growth in the volume of person-trips, travel patterns will alter appreciably over the next few years.

The decline of traditional goods producing industries and the resulting decrease in employment opportunities in the northern industrial heartland will combine to accelerate population migration to the sunbelt. This massive outflux will affect travel flows.

Whereas the Great Lakes region was the country's number one generator of person-trips in 1977, accounting for nearly one-quarter of all person-trips, the South can be expected to claim that distinction by 1990 and possible before. We may witness a reduction in north-south travel and an increase in person-trips within "the South" region. Person-trip volume can be expected to increase the fastest within the South, Far West and Frontier West regions, and this development will have policy

and ecological implications for national parks and public recreation area in those regions.

One final prognostication: while the price and availability of energy has been tourism's principal constraint in the 70s—and will continue to be a constraint in the 80s—that availability of water, for example, particularly in western destinations, will become an increasingly important factor in tourism growth in the nineties.

V. INTERNATIONAL TOURISM AND THE BIGGER PICTURE

The outlook for U.S. international trade in tourism in the eighties has a relevance which transcends the national tourism interest. Today, the United States finds itself in a world environment in which its political interests are threatened and its economic interests are challenged. Unfriendly nations seek to destabilize middle-of-the-road governments on our doorstep and attempt to discredit our economic system around the world. Trading partners whose industries have become more efficient than ours penetrate markets which once we took for granted. The United States is losing its share of certain international goods markets, merchandise imports are on the rise, and the merchandise trade is in deficit by $27.6 billion.

Clearly, we must:

Maintain and cultivate friendly relations with our neighbors and allies;

Seek out new markets and trading opportunities;

Earn the foreign exchange necessary to finance our mounting merchandise trade deficit; and

Restore faith in the free enterprise system.

We would serve all of these objectives by encouraging increased U.S. commerce in tourism.

First, two-way travel has a favorable political impact. The free exchange of visitors between nations helps to develop a deeper mutual understanding of national institutions and national interests.

Second, the tourism market is a growing one and represents an important trading opportunity. Since 1960, the value of world international tourist expenditures has risen by more than 1400 percent.

Third, tourism stimulates exports of goods. Gifts, Souvenirs and Purchases rank as the second most important category of foreign tourist expenditure in this country, exceeded only by Food and Lodging. We estimate that spending in this category accounts for one-quarter of all outlays for foreign tourists visiting the United States. If this percentage remained approximately the same in 1981, then tourists from abroad accounted for merchandise export earnings equivalent to nearly $2.7 billion last year.

Fourth, it requires a smaller investment to increase your share of a market in which you enjoy comparative advantage. The United States has never capitalized on that advantage where tourism is concerned. But as the world's number one earner of international tourism receipts, the U.S. does enjoy comparative advantage in the international tourism market, and I am firmly convinced that a better-coordinated, more competitive marketing effort would produce results. Last year, U.S. international tourism receipts and expenditures were in approximate balance. With a well-targeted effort, we should be able to achieve a surplus, and that would help to offset the growing merchandise deficit.

VI. FUTURE NEEDS

For the United States and for tourism, the future holds challenge as well as change. If that challenge is to be met, there must be progress toward these goals:

First, this country must be restored to economic health, for only a smoothly-running economy will create consumer confidence, discretionary income and the vacation benefits which make tourism accessible to the ordinary citizen.

Second, the U.S. share of the world's international tourism and transportation receipts must be increased.

Third, the seasonal and locational concentration of domestic tourism demand, must be lessened, and our national park resources must be preserved.

Fourth, the quality, reliability and international comparability of U.S. tourism statistics must be improved.

Fifth, existing water resources, which are essential to tourism development must be conserved, and the Nation's dependence on imported oil must be reduced.

Finally, our infrastructure planning capability must be improved.

VII. THE FEDERAL ROLE IN ACHIEVING TOURISM'S FUTURE NEEDS

Since 1974, much attention has been devoted to defining the Federal role in tourism.

Basically, that role, as delineated by the National Tourism Policy Act, is coordinative, advocative, facilitative and promotional. This is an appropriate role, in my view.

Nevertheless, there is a point that should be made: tourism's future needs cannot be fully met by the Federal Government. They will be achieved only if it is realized that the Federal role in tourism coexists with state, local, and individual roles.

It is a Federal responsibility to ensure that the national tourism interest is fully considered in Federal decision making. It is the responsibility of each state to ensure that its own tourism interest is fully considered by state institutions and decision makers.

It is Federal responsibility to conserve and protect Federally-owned and managed tourism and recreation resources. At the same time, however, these resources belong to all of us, and each of us, in his role as citizen, bears the responsibility of stewardship.

It is a Federal responsibility to take into account state and local government and travel industry concerns about Federal policies which interfere with the orderly growth of tourism. It is a state and local responsibility to consider state and local policies which conflict with such growth. School vacation policies are an example of state and local practices which warrant consideration in this respect.

There are legitimate state, local and private roles in tourism, and while the Federal mission is not independent of these roles, neither is it to supplant them. Tourism has the potential to bestow great benefits upon this Nation and its individual citizens. Whether thcse benefits will be realized—and tourism's future needs will be fully met—will depend, in great part, upon the resolve of every level of government, and the commitment of every American, to further the national tourism interest.

TABLE I.—U.S. INTERNATIONAL TOURISM RECEIPTS 1960–81 [1]

[In millions of dollars]

Year	Current dollars	Percent change	Constant dollars [2]	Percent change	Implicit price deflator	Tourism inflation rate
1960	919	—	1,300	—	70.7	—
1961	947	3.0	1,324	1.8	71.5	1.2
1962	957	1.1	1,324	0.0	72.3	1.1
1963	1,015	6.1	1,387	4.8	73.7	1.3
1964	1,207	15.9	1,627	14.8	74.2	1.1
1965	1,380	14.3	1,830	12.5	75.4	1.8
1966	1,590	15.2	2,046	11.8	77.7	3.4
1967	1,646	3.5	2,063	0.8	79.8	2.7
1968	1,775	7.8	2,133	3.4	83.2	4.4
1969	2,058	15.9	2,349	10.1	87.6	5.9
1970	2,331	13.3	2,512	6.9	92.8	6.4
1971	2,534	8.7	2,618	4.2	96.8	4.5
1972	2,817	11.2	2,817	7.6	100.0	3.6
1973	3,412	21.1	3,246	15.2	105.1	5.9
1974	4,032	18.2	3,531	8.8	114.2	9.4
1975	4,697	16.5	3,816	8.1	123.1	8.4
1976	5,742	22.2	4,377	14.7	131.2	7.5
1977	6,150	7.1	4,396	0.4	139.9	6.7
1978	7,186	16.8	4,721	7.4	152.2	9.4
1979	8,335	16.0	4,950	4.9	168.4	11.1
1980	10,090	21.1	5,322	7.5	189.6	13.6
1981	[3] 11,650	15.5	[3] 5,582	4.9	[3] 208.7	[3] 10.6
Aggregate change (1960–81)		1,167.6		329.4		

[1] Excluding international transportation fare payments to U.S. carriers by foreign nationals.
[2] Constant (1972) dollars. Based on annual weighted price indices for tourist expenditures.
[3] Preliminary.

Source: Department of Commerce (U.S. Travel and Tourism Administration and Bureau of Economic Analysis).

TABLE II.—U.S. INTERNATIONAL TOURISM RECEIPTS 1960–81 [1]

[In millions of dollars]

Year	Current dollars	Percent change	Constant dollars [2]	Percent change	Implicit price deflator	Tourism inflation rate
1960	1,750		2,475		70.7	
1961	1,785	2.0	2,497	0.8	71.5	1.2
1962	1,939	8.6	2,682	7.4	72.3	1.2
1963	2,114	9.0	2,888	7.7	73.2	1.3
1964	2,211	4.6	2,980	3.2	74.2	1.4
1965	2,438	10.3	3,233	8.5	75.4	1.8
1966	2,657	9.0	3,420	5.8	77.7	3.2
1967	3,207	21.0	4,019	17.5	79.8	3.5
1968	3,030	— 5.5	3,642	— 9.4	83.2	
1969	3,407	12.4	3,889	6.8	87.6	5.6
1970	3,980	16.8	4,289	10.3	92.8	6.5
1971	4,373	9.9	4,516	5.3	96.8	4.6
1972	5,042	15.3	5,042	11.6	100.0	3.7
1973	5,526	9.6	5,258	4.3	105.1	5.3
1974	5,980	8.2	5,236	— 0.4	114.2	7.8
1975	6,417	7.3	5,212	— 0.4	123.1	6.9
1976	6,856	6.8	5,226	0.2	131.2	6.6
1977	7,451	8.7	5,326	1.9	139.9	6.8
1978	8,501	14.1	5,585	4.9	152.2	9.2
1979	9,413	10.7	5,590	0.0	168.4	10.7
1980	10,397	10.5	5,484	— 1.9	189.6	8.6
1981	[3] 11,650	12.1	[3] 5,582	1.8	[3] 208.7	[3] 10.3
Aggregate change (1960–81)		565.7		125.5		

[1] Excluding international transportation fare payments to foreign carriers by U.S. citizens.
[2] Constant (1972) dollars.
[3] Preliminary.

Source: Department of Commerce (U.S. Travel and Tourism Administration and Bureau of Economic Analysis).

TABLE III.—U.S. INTERNATIONAL TRAVEL DEFICIT 1960–81

[In millions of dollars]

Year	Total deficit	Passenger fare deficit	Percent of total deficit
1960	—1,230	—399	32.4
1961	—1,235	—397	32.1
1962	—1,444	—462	32.0
1963	—1,596	—497	31.1
1964	—1,499	—495	33.0
1965	—1,613	—555	34.4
1966	—1,627	—560	34.4
1967	—2,156	—595	27.6
1968	—1,880	—625	33.2
1969	—2,126	—777	36.5
1970	—2,487	—838	33.7
1971	—2,704	—865	32.0
1972	—3,327	—1,102	33.1
1973	—3,186	—1,072	33.6
1974	—3,230	—1,282	39.7
1975	—3,216	—1,496	46.5
1976	—2,745	—1,631	59.4
1977	—3,024	—1,723	57.0
1978	—2,895	—1,658	57.3
1979	—2,585	—1,507	58.3
1980	[1] —1,861	[1] —1,554	83.5
1981	[2] —1,900	[2] —1,900	100.0

[1] Revised.
[2] Preliminary.

Source: Department of Commerce (U.S. Travel and Tourism Administration and Bureau of Economic Analysis).

TABLE IV.—U.S. PASSENGER FARE RECEIPTS AND PAYMENTS 1960–81

[In millions of dollars]

Year	Passenger fare receipts from foreign tourists [1]	Percent change	Passenger fare payments to foreign carriers [1]	Percent change
1960	106	.....	505	.....
1961	110	3.8	507	0.4
1962	113	2.7	575	13.4
1963	118	4.4	615	7.0
1964	150	27.1	645	4.9
1965	165	10.0	720	11.6
1966	195	18.2	755	4.9
1967	235	20.5	830	9.9
1968	260	10.6	885	6.6
1969	303	16.5	1,080	22.0
1970	377	24.2	1,215	12.5
1971	425	12.7	1,290	6.2
1972	494	16.2	1,596	23.7
1973	718	45.3	1,790	12.2
1974	813	13.2	2,095	17.0
1975	767	—5.7	2,263	8.0
1976	937	22.2	2,568	13.5
1977	1,025	9.4	2,748	7.0
1978	1,238	20.7	2,896	5.3
1979	1,677	35.4	3,184	9.9
1980	[2] 2,053	22.4	[2] 3,607	13.3
1981	[3] 2,550	24.0	[3] 4,450	23.0
Aggregate change (1960–81)		2,305.6	.....	781.1

[1] Current dollars.
[2] Revised.
[3] Preliminary.

Source: Department of Commerce (U.S. Travel and Tourism Administration and Bureau of Economic Analysis).

TABLE V.—GROWTH RATES FOR U.S. EXPORTS AND U.S. TOURISM RECEIPTS 1960–81

[In billions of dollars]

Year	U.S. exports of goods and services (1972 dollars)	Percent change	U.S. tourism and passenger fare receipts (1972 dollars)	Percent change
1960	35.8	.....	1.4	.....
1961	37.0	3.3	1.5	7.1
1962	39.6	7.0	1.5	.....
1963	42.2	6.5	1.6	6.6
1964	47.8	13.2	1.8	12.5
1965	49.1	2.7	2.0	11.1
1966	51.6	5.0	2.3	15.0
1967	54.2	5.0	2.4	4.3
1968	58.5	7.9	2.4	.....
1969	62.2	6.3	2.7	12.5
1970	67.1	7.8	2.9	7.4
1971	67.9	1.1	3.1	6.9
1972	72.7	7.0	3.3	6.5
1973	87.4	20.2	3.9	18.2
1974	93.0	6.4	4.2	7.7
1975	90.0	—3.2	4.4	4.8
1976	95.9	6.5	5.1	15.9
1977	98.2	2.3	5.1	.....
1978	108.8	10.7	5.5	7.8

TABLE V.—GROWTH RATES FOR U.S. EXPORTS AND U.S. TOURISM RECEIPTS 1960–81—Continued

[In billions of dollars]

Year	U.S. exports of goods and services (1972 dollars)	Percent change	U.S. tourism and passenger fare receipts (1972 dollars)	Percent change
1979	146.9	35.0	5.9	7.3
1980	161.1	9.7	6.4	8.5
1981	[1] 160.0	−0.7	[1] 6.8	6.3
Aggregate change (1960–80)	346.9			385.7

[1] Preliminary.

Source: Department of Commerce (U.S. Travel and Tourism Administration and Bureau of Economic Analysis). Council of Economic Advisors.

TABLE VI.—REGIONAL AND COUNTRY SHARES OF U.S. INTERNATIONAL TOURISM RECEIPTS 1980–81

[In billions of dollars] [1]

Region	1981 tourism payments to United States	Percent change	1981 share of U.S. tourism receipts (percent)	1980 share (percent)
North America	[2] 5.9	18.0	50.6	49.4
Canada	(2.6)	7.0	22.3	24.1
Mexico	(3.3)	29.0	28.3	25.3
Overseas	[2] 5.8	13.0	49.4	50.6
Subtotal	[2] 11.7	15.5	100.0	100.0
Fare receipts	[2] 2.6	24.0		
Total receipts	[2] 14.2	16.0		

[1] Current dollars.
[2] Preliminary.

Source: Department of Commerce (U.S. Travel and Tourism Administration and Bureau of Economic Analysis).

TABLE VII.—U.S. SHARE OF WORLD AND AMERICAS REGION INTERNATIONAL TOURISM RECEIPTS 1960–81

[In billions of dollars]

Year	World international tourism receipts [1]	U.S. share (percent)	Americas region international tourism receipts [1]	U.S. share (percent)
1960	6.8	13.2	2.4	37.5
1961	7.3	12.3	2.5	36.0
1962	7.8	11.5	2.6	34.6
1963	8.3	12.0	2.6	38.4
1964	9.6	12.5	2.9	41.3
1965	11.0	12.7	3.3	42.4
1966	12.5	12.8	3.4	47.0
1967	13.4	11.9	4.0	40.0
1968	13.8	13.0	4.0	45.0
1969	15.4	12.9	4.5	44.4
1970	17.9	12.8	4.8	47.8
1971	20.9	11.9	5.2	48.0
1972	24.8	11.2	6.1	45.9
1973	31.3	10.8	7.4	45.9
1974	34.1	11.7	8.7	45.9
1975	38.6	11.9	9.7	47.4
1976	43.7	13.0	11.0	51.8
1977	52.4	11.6	11.5	53.5
1978	65.0	11.0	13.5	53.2

TABLE VII.—U.S. SHARE OF WORLD AND AMERICAS REGION INTERNATIONAL TOURISM RECEIPTS 1960–81—Continued

[In billions of dollars]

Year	World international tourism receipts [1]	U.S. share (percent)	Americas region international tourism receipts [1]	U.S. share (percent)
1979	79.0	10.6	16.0	51.8
1980	[2] 95.3	10.6	[2] 20.8	48.5
1981	[3] 106.1	10.9	[3] 22.9	50.6

[1] Current dollars.
[2] Revised.
[3] Preliminary.

Source: World Tourism Organization and U.S. Department of Commerce (U.S. Travel and Tourism Administration and Bureau of Economic Analysis).

TABLE VIII.—REGIONAL SHARES OF TOTAL WORLD INTERNATIONAL TOURISM RECEIPTS 1970–81

[Percent]

Year	Total world international tourist receipts	Europe	Americas	East Asia	South Asia	Middle East	Africa
1970	100						
1971	100						
1972	100	65.3	24.6	5.2	0.6	1.6	2.4
1973	100	65.8	23.6	5.8	0.6	1.6	2.6
1974	100	63.8	24.6	5.9	0.6	2.4	2.7
1975	100	64.8	24.4	5.8	0.8	1.3	2.9
1976	100	63.4	25.2	6.2	1.1	1.8	2.3
1977	100	66.2	21.9	5.9	1.3	2.3	2.3
1978	100	67.7	20.8	6.1	1.2	2.2	2.3
1979	100	66.7	21.3	6.7	0.9	1.9	2.4
1980	100	69.5	20.1	6.5	0.5	1.6	2.1
1981	100	64.6	21.6	7.5	1.1	2.8	2.4

Source: World Tourism Organization.

TABLE IX.—U.S. INTERNATIONAL TOURIST ARRIVALS 1981

[In thousands of arrivals]

Country of residence	Total number of tourists arriving in the United States	Percent change	Share of total tourists arriving in the United States (percent)
Canada	[2] 11,000	−3	47.4
Mexico	[1] [2] 3,800	+19	16.4
United Kingdom	[2] 1,250	+11	5.4
Japan	[2] 1,165	+4	5.0
Germany, Federal Republic of	[2] 700	+3	3.0
Venezuela	[2] 520	+12	2.2
France	[2] 325	+2	1.4
Other	[2] 1,420	+4	6.1
Total	[2] 23,190	+3	100.0

[1] Arrivals of Mexican tourists spending 72 hours or more in the United States
[2] Preliminary.

Source: Department of Commerce (U.S. Travel and Tourism Administration and Statistics Canada).

TABLE X.—U.S. SHARE OF WORLD AND AMERICAS REGION INTERNATIONAL TOURIST ARRIVALS 1960–81 [1]

[In millions of arrivals]

Year	World international tourist arrivals	U.S. share (percent)	Americas region international tourist arrivals	U.S. share (percent)
1960	72.1	7.7	17.9	31.2
1961	75.3	8.4	18.4	34.2
1962	81.4	7.2	18.8	31.3
1963	93.0	6.6	19.5	31.2
1964	108.0	6.1	21.3	30.9
1965	115.5	6.8	23.0	33.9
1966	130.8	7.0	26.3	34.6
1967	139.5	7.2	33.0	30.6
1968	139.7	7.3	30.7	33.2
1969	154.1	7.6	33.8	34.6
1970	158.7	7.8	35.7	34.7
1971	169.4	7.5	37.7	33.6
1972	184.3	7.1	38.1	34.3
1973	191.3	7.3	39.5	35.4
1974	196.7	7.2	40.0	35.2
1975	206.9	7.6	41.6	37.7
1976	227.0	7.7	43.5	40.2
1977	243.6	7.6	45.1	41.2
1978	259.4	7.6	47.5	41.6
1979	270.0	7.5	49.5	41.0
1980	[2] 279.0	8.0	[2] 54.9	41.0
1981	[3] 290.0	8.0	[3] 57.3	43.0

[1] Arrivals of tourists, that is, temporary visitors staying at least 24 hours at the destination and the purpose of whose trip was (a) leisure (recreation, holiday, health, study, religion or sport); (b) business, family, mission, meeting.
[2] Revised.
[3] Preliminary.
Source: World Tourism Organization and Department of Commerce (U.S. Travel and Tourism Administration).

[The following information was subsequently received for the record:]

QUESTIONS OF THE COMMITTEE AND THE ANSWERS THERETO

Question. Many urge that the federal role in overseas promotion should be catalytic, and that the industry should provide the funding. Big business is only about 1 percent of the tourism industry, and it spends many millions of dollars on its own overseas marketing programs. In addition, according to statistics I have seen, that 1 percent of the industry spent $2.9 million last year in direct support of USTS overseas programs. Don't you believe that speaks pretty well for the industry's joint participation in USTS's marketing programs?

Answer. I would like to think that the United States could be at least as successful at raising money for cooperative promotions as the European Travel Commission or the Pacific Area Travel Association. These organizations have demonstrated that it is possible, even for competitors, to jointly and effectively market a region.

I realize that small businesses and many states do not have large amounts of money to invest in overseas promotion. But if a sufficient number of companies and states were willing to commit funds, no single company would need to put up a large amount. If 200 entities would invest $5,000 each, it would amount to $1 million, enough to finance a consumer advertising campaign in one foreign market, or to pay for 3.5 million pieces of consumer literature. If 400 organizations would invest $5,000 each, the total would reach $2 million. Instead of focusing on the difficulty of the fund-raising task, I think we should be looking at ways and means of accomplishing it. There are, of course, forms of alternative funding other than private sector and state contributions. I will discuss one such form in the marketing plan which we will submit March 22.

Question. Existing law requires that the amount of money obligated for the Travel and Tourism Administration's international markets in fiscal year 1982 be not less than the amount obligated in fiscal year 1980 for the activities of those overseas of-

fices. In fiscal year 1980, $6.4 million was obligated for those activities. I believe the same amount is obligated in fiscal year 1982. How much of this $6.4 million which was obligated for the activities of the overseas offices was actually spent for them? In other words, did you charge any of the Washington salaries or other "non-overseas activities" against that $6.4 million? Would any salaries, etc. for Washington personnel be charged against the $3.84 million requested for the overseas offices in fiscal year 1983?

Answer. The $6.4 million budgeted for the Field Offices in fiscal year 1980 was not for activities alone, but also included administrative overhead, including salaries of appropriate Washington-based support personnel. In fiscal year 1982, 11.3 percent of the $6.4 million Field Office budget is for administrative overhead, salaries included. The breakdown is as follows:

Salaries: (reflects the estimated Washington-based staff-year support necessary to administer the field offices)	$446,000
Administrative overhead: (Including travel to field locations, overseas telephone costs, accounting support, personnel support, ADP support, duplication costs, United States and military postal costs, relocation expenses, et cetera)	280,000
Total	726,000

These figures are estimates based on historical annual costs of the activities enumerated and they may change. Also, full year, fiscal year 1982 costs have not been obligated because USTTA's continuing resolution, in lieu of an annual appropriation, will expire on March 31, 1982. Obligations will be completed after final action is taken by the Congress. Provided there is no budget reduction by the Congress, we anticipate obligating $6.4 million for Field Office operations.

With respect to the second part of your question: at present we have no plans to charge administrative overhead costs incurred by headquarters to the field. However, we have been advised by legal counsel that at the end of the fiscal year, any amounts allocated to the field, but not actually obligated, are available for other purposes. Should any field office not obligate all of the funds allocated to it, and if there were other pressing financial needs, we would, of course, consider addressing those needs.

Question. Mr. Secretary, you state that you are "firmly convinced that a more competitive international marketing effort would produce results". By that do you mean the Federal government should improve its international marketing effort; or are you referring to the private sector's effort?

Answer. I think that there are some things which the Federal government might do more effectively, and that organizing a cooperative effort by states and private sector components not now active in the international market is probably one of them. If additional states and firms can be persuaded to compete for international travel business, the "U.S. presence" in the market place will expand and U.S. marketing efforts will make a greater impact.

Question. I understand that last year, state travel offices spent a combined total of $136 million on travel promotion. Of that amount, only 2.6 percent was spent on overseas promotion. Doesn't this suggest that most state travel offices have small promotion budgets; and that most of the small amounts they do have is spent in neighboring state markets? Since states must spend their limited promotional dollars where their largest markets are located (usually neighboring states), how realistic is it to expect them to respond with dollars to a catalytic effort by the Federal Government to promote their state or region overseas?

Answer. Most states do have small promotion budgets and do spend most of their promotional dollars in neighboring states. I do not expect the average state to commit $100,000 to a cooperative VISIT USA campaign. However, I do believe that most states might be able to invest $5,000 or $10,000 and that individual travel industry entities in those states might be willing to contribute from $1,000 to perhaps $20,000 each, depending on their size and interest in the international market.

Frankly, the most cost-effective promotion that the majority of states might conduct abroad is of a cooperative or tie-in nature. Just as U.S. nationals tend to follow a multistop itinerary when they visit foreign countries—e.g., London, Paris, Rome, Florence, Vienna—so foreign visitors want to visit several destinations when they come to the United States. The typical visitor from overseas spends about two weeks here and, unless he has relatives there, is unlikely to stay the entire time in a single state. This means that the best strategy that an individual state can employ to attract international visitors is to unite with other nearby states and market itself as a unique component of a geographic, cultural or historic region.

Question. Pan Am, TWA, Hilton, Sheraton, etc. (in other words, "big business") make up about 1 percent of our tourism industry, and they spend many millions of dollars promoting destinations in the U.S. they serve. Would you agree that those companies cannot be expected to promote destinations in the U.S. which they do not serve?

Answer. I would expect them to promote their own services and/or properties.

Question. The National Tourism Policy Act requires that, within six weeks of transmittal to the Congress of the President's budget, the Travel and Tourism Administration must submit to Congress a detailed marketing plan to promote travel to the United States. Have you consulted with the industry as to the specifics which you will include in the marketing plan? If so, please tell the subcommittee just what industry groups and individuals you have consulted?

Answer. More than 85 industry leaders were contacted and asked for their views by letter. A list of these leaders is attached. In addition, numerous individuals were personally contacted or consulted.

Question. According to Under Secretary McCoy's testimony, our international travel deficit of nearly $2 billion in 1981, was due entirely to the fact that proportionally U.S. nationals going abroad chose to travel on foreign flag carriers to a greater extent than our foreign visitors chose to travel here on U.S. flag carriers. While foreign carriers have increased their share of the U.S. air market, U.S. carriers have had little success in penetrating the foreign air market.

One of the reasons for this state of affairs, according to Secretary McCoy, is the practices of foreign, government-owned airlines.

Are these practices discriminatory; and if so, would you be specific?

If they are discriminatory, doesn't the State Department have some responsibility in the first instance to protest these practices?

And, beyond that, isn't this the kind of issue which the interagency coordinating Council should deal with, inasmuch as it is counterproductive to the mandate in our National Tourism Policy Act "to encourage to the maximum extent feasible travel to and from the U.S. on U.S. carriers?"

Answer. According to the Air Transport Association and based on data compiled by the International Trade Administration, these are the most serious of the practices: (1) restrictions on the establishment of foreign owned branches and subsidiaries. (For example, all OECD countries restrict equity participation in their air carriers and establishment of foreign owned air carriers because of the public utility aspects of air transportation and the security implications of national carrier fleets. In most OECD countries except the United States, the national carrier is wholly or partially government owned); (2) restrictions on the ability of non-established foreign companies to solicit customers, advertise or sell directly to clients except through locally established intermediaries. (In one OECD country, the national carrier has controlling interest in tour wholesalers and operators. In another, the national carrier will not confirm space on its domestic services if the international portion of a flight is on a competing airline. In a third country, television advertising by airlines is prohibited, but the national carrier receives extensive free "P.R." coverage on TV, and in two other countries, airline television commercials produced abroad are forbidden. A similar restriction on airline radio commercials exists in another pair of countries; (3) restrictions on non-national airlines. (In eight OECD countries, non-national airlines are not permitted to establish their own ground handling facilities. In one country, foreign charter flights are arbitrarily assigned to an inconvenient airport); (4) limitations on movements of passengers by foreign airlines. (All OECD countries, including the United States, prohibit cabotage by foreign carriers); (5) discriminatory landing fees. (In at least three OECD countries, the national carrier is either exempt from all user charges and landing fees, or is charged a lower landing fee, or other user charges, than are foreign carriers. In two countries, high landing fees at international airports are used to subsidize the operations of domestic airports. In one case, high fees charged by a carrier-owned ground handler are used to subsidize carrier operations); (6) discriminatory access to special terms from state enterprises. (For example, the government in one OECD country assists with the financing of the national airline's aircraft and underwrites operating losses. Three countries provide their jointly owned carrier with interest free loans, two provide government guarantees for the purchase of aircraft. Four countries grant their respective national carrier preferential facilities and services at state owned airports. One country subsidies low fares for expatriate workers provided they fly the national carrier). (7) limitations on access to reservation systems. (In two countries, the national reservation system displays the schedules of the national carriers and selected other carriers only. In two other countries, the government-sponsored reservation system gives preference to the national carrier, its pool

partners and other carriers with which it has interline agreements. In a fifth country, the national carrier restricts access to the reservation system by claiming "lack of capacity" in the computer.

The State Department is attempting to address these practices during the course of bilateral negotiations; however, negotiations cover a great number of issues, are usually protracted and often inconclusive. Negotiations break off due to inability to reach agreement on a range of issues and must be resumed at a later date.

The very first action taken by the national Tourism Policy Council, at its organizational meeting January 12, was to establish a Policy Committee on Facilitation. This Committee is to be split into a Working Party on Traveler Facilitation and a Working Party on Business Facilitation. The latter Party will include representatives from the office of the U.S. Trade Representative and the International Trade Administration and will deal with impediments such as those identified above.

Question. Mr. Secretary, you discuss at some length three of the problems facing tourism—That is: the declining rate of growth in travel industry employment; seasonal concentration of travel demand; and insufficiency of valid economic data. Now I realize the Travel and Tourism Administration cannot solve these problems by itself. But your agency is the government's tourism agency. Do you have any specific plans to take the initiative in addressing them?

Answer. I agree that USTTA cannot solve these problems by itself. For example, travel industry employment will expand only when the economy recovers. As far as seasonal concentration is concerned: this problem is caused by decisions taken at the local level, and I believe that the solution must be found at the local level. It cannot be dictated by the Federal government. What I—and other Federal officials—can do is try to define the problem and raise it to the level of public discussion. However, it would be a mistake for the Federal government to attempt to impose a solution. As far as insufficiency of valid economic data is concerned, I do hope to raise funding which would permit the necessary surveys to be performed.

Question. I have received a letter from one of Hawaii's state representatives asking what the Federal government can do to improve international visitor facilitation at Honolulu International Airport. This is the kind of problem the USTTA and the inter agency advisory council are supposed to be monitoring and seeking to resolve. I would like to give you a copy of Representative Say's letter and ask that you supply for the record what efforts can be made to resolve the problem Repesentative Say raises.

Answer. It is true that the national Tourism Policy Council is charged with monitoring facilitative problems stemming from Federal decisions. However, the problem, in this case, seems to relate more to terminal capacity, which is a local matter, than to any decision made by a Federal agency. According to the U.S. Customs Service, it would not be possible to fit additional inspection booths into existing terminal space. I believe that Rep. Say would be well advised to discuss this problem with Dr. Jonathan Shimada, Director of the Airports Division, of the Hawaii Department of Transportation. If state capital investment (CIP) funds are not available, then another possible solution might be "preclearance" of certain flights.

USTTA

Question. Mr. Secretary, your prepared testimony gives quite a comprehensive oveview of our tourism prospects and problems.

Other than noting that in 1981 convention-related travel declined, however, there doesn't appear to be much consideration given to the prospects and problems of the international convention market, however.

What specifically does the Travel and Tourism Administration intend to do to attract international conventions, and what sort of priority does this market have in your plans?

Answer. As you know we do have a three-person staff in Paris, on the International Convention activity—they now work directly with the States and cities on soliciting international association to select U.S. venues for their major meetings. For example: right now, the end of this month, from Detroit, the President of the Detroit Convention and Visitors Bureau (William F. McLaughlin) and his Director of Commercial Visitor Development will be meeting with Ed Shedlick—our Director of this activity in Paris—to explore new ways for getting convention business from England and Germany and other countries, for Detroit and Southeast Michigan.

Senator PRESSLER. We will next call on a very good friend, William Toohey.

Mr. Toohey is accompanied by George Williams, chairman of the National Council of State Travel Directors; Charles Gillett, president, New York Convention and Visitors' Bureau; and Douglas Frechtling, U.S. Travel Data Service.

Let me say that there are time constraints here this morning, with the Presidential speech coming up at about 12:30, so we will move right along. Mr. Toohey?

STATEMENTS OF WILLIAM TOOHEY, TRAVEL INDUSTRY ASSOCIATION, WASHINGTON, D.C.; CHARLES GILLETT, PRESIDENT, NEW YORK CONVENTION AND VISITORS' BUREAU; GEORGE WILLIAMS, CHAIRMAN, NATIONAL COUNCIL OF STATE TRAVEL DIRECTORS; AND DR. DOUGLAS FRECHTLING, U.S. TRAVEL DATA CENTER

Mr. TOOHEY. Good morning, Mr. Chairman, Senator Cannon. It's a privilege to appear before you today to assist you in your examination of the impact of tourism. With your permission, I'd like to highlight my comments and insert the full text for the record.

Senator PRESSLER. Without objection.

Mr. TOOHEY. I am accompanied today by George Williams, who is chairman of the National Council of State Travel Directors; Charles Gillett, who is chairman of the Urban Tourism Council of TIA and the Urban Tourism Council of the International Association of Convention and Visitors' Bureaus; and Dr. Douglas Frechtling, who is director of the U.S. Travel Data Center.

My own remarks will serve as an overview of the issues that they will present.

It is often said that travel and tourism is one of the largest U.S. industries, and it is true. According to the U.S. Travel Data Center's preliminary estimates, travelers in America spent more than $180 billion last year, accounting for approximately 7 percent of our gross national product. Everyone from airline presidents to souvenir operators benefited while serving the more than 12 million Americans and visitors from other countries traveling here in this country during the average day in 1981.

A brief example can emphasize what a growing economy with moderate inflation can mean for the travel and tourism industry in this country. The the last banner year for the U.S. travel industry was 1978. Adjusted for inflation, travel industry receipts rose 3 percent, as travel prices grew a little more than 8 percent. Travel industry employment for the year was more than 7-percent higher than it was in 1977.

It is no coincidence that this was also a vintage year for the national economy. The Nation's real gross national product, with inflation removed, increased nearly 5 percent as consumer price inflation was less than 8 percent. Total employment increased more than 5 percent and disposable personal income grew nearly 4½ percent after removing inflation.

In contrast, 1981 was a poor year for both the national economy and for the travel industry. The GNP rose a scant 2 percent as consumer prices increased more than 9 percent. Employment grew about 1 percent for the year.

As a result, growth stagnated in the travel and tourism industry. As travel prices maintained double-digit rates of advance for the third year in a row, real travel industry receipts grew less than 1 percent. Travel industry employment was up only 3 percent, better than the overall economy, but relatively poor compared to the historic trend of the travel industry.

If the industry is forced to continue in the economic environment of the last 2 years for the balance of this decade, 1990 industry receipts adjusted for inflation would be only 10½ percent higher than 1980. Travel prices, on the other hand, would be up 240 percent; employment, up only 34 percent.

If, on the other hand, we project the economic scenario which characterized 1978, receipts would be up 34 percent by the end of the decade, rather than 10½ percent, and employment in the travel industry would double its 1980 level, rather than growing by only a third.

It is not enough, however, to concern ourselves only with domestic tourism. A resource of massive potential exists in attracting additional foreign visitors to the United States. A significant step in the direction of more successful promotion of inbound tourism must necessarily be adequate funding for the U.S. Travel and Tourism Administration. Without such funding, the mandate and potential of the National Tourism Policy Act amounts to nothing. The World Tourism Organization showed that the United States in 1980 was 25th in the top 25 annual national government tourism office budgets.

Successful promotion of international tourism to any country depends upon its marketing as a travel destination. The private sector is not properly structured, nor equipped, to accomplish this alone, no matter what the sum expended. For this, we need a fully operational USTTA, not a bureaucratic corpse. Is it so much to ask that this infant agency be given a fair trial?

The idea of raised user charges to reduce Government general deficits and constant lowering of the level of Government support of tourism seems to be somewhat analogous to the goose and golden egg maxim.

Mr. Chairman, I could not in good conscience come before you today without drawing your attention to an issue which is of crucial importance to everyone, but which is synonymous with survival to this industry: energy. While this administration, in formulating energy policy to date, seems cognizant of the inherent economic danger in pre-establishing energy policy which is unfairly onerous to a particular industry, with emergency allocation legislation now in House-Senate conference, the travel industry will continue to restate its case.

Tourism accounts for only 9 percent of total domestic petroleum consumption in 1980 yet it generates about $180 billion in spending, or 7 percent of the GNP. Even a cursory cost-benefit analysis in terms of energy would have to yield the conclusion that allocation policies which penalize the high-growth, low consumption industry such as travel, is an economic absurdity.

Nonetheless, we can reduce our dependence on limited energy supplies, particularly motor fuel, without unfairly burdening the travel industry by encouraging maximum utilization of our trans-

portation infrastructure. Here, too, Government can and must play a critical role.

Development of greater use of public transportation through airports, airways, rail, waterways, and highway improvements is mandatory, especially in highly developed areas.

Finally, Mr. Chairman, a crucial factor which must be addressed during the course of these hearings is the sudden and disastrous demise of the Census Bureau's national travel survey. We in the travel industry are painfully aware that the travel survey was the only source of government-based, intercity, interstate, and interregional travel data. Other agencies which perhaps have the capability of collecting and analyzing some of the necessary data have no legislative mandate to do so, and also face crippling budget cuts.

The travel survey is essential to the development of all travel programs and policies, both public and private, and has been utilized in virtually every economic analysis, every cost-benefit assessment and feasiblity study relating to travel since its implementation in 1963.

While it is ultimately true that all industries need data upon which to base economic assumptions and plans for development and expansion, the travel industry is somewhat unique. Comprised nearly in total of small businesses, no single component of the travel industry has available to it the necessary resources to conduct statistical research of the breadth and scope required.

Mr. Chairman, we appreciate your interest in the economic impact of tourism and we thank you for your continued support of this industry, in providing us with this forum today.

[The statement follows:]

STATE OF WILLIAM D. TOOHEY, PRESIDENT, TRAVEL INDUSTRY ASSOCIATION OF AMERICA

Mr. Chairman, and members of the Subcommittee, it is of course a privilege to appear before you today to assist you in your examination of the economic impact of tourism.

My name is William D. Toohey and I am appearing in my capacity as president of the Travel Association of America or TIA.

I am accompanied by leaders of two Councils of the Travel Industry Association. Charles Gillett of New York Convention and Visitors Bureau, who chairs the National Council of Urban Tourism Organizations will represent the views of the cities. Mr. Gillett is also on the urban tourism committee of the International Association of Convention and Visitors Bureaus. George Williams of the Mississippi Department of Economic Development, Division of Tourism heads the National Council of State Travel Directors and will address his remarks to the concerns of states. Douglas Frechtling will present the U.S. Travel Data Center's economic analysis. My own remarks will serve as an overview of those issues which most affect the economic impact of tourism either positively or negatively.

The travel and tourism industry is currently the third largest retail industry in the United States, exceeded only by the food and automotive industries. It directly employs 4.7 million Americans at every level of skill and indirectly provides another 2.2 million supporting jobs. The industry components of TIA alone employ approximately 1.4 million American workers. The industry generates approximately $35 billion a year in wages and other compensation and $15 billion per year in federal, state and local tax revenues. Travel provides large numbers of entry-level positions and a substantial portion of these jobs are filled by minorities, youth and women. At a time when the service sector of our ecomony accounts for the greatest employment growth, travel is one of the most labor-intensive service industries and employs those who most need jobs and traditionally have the most difficulty finding them.

It is often said that travel and tourism is one of the largest U.S. industries, and it is true. According to the U.S. Travel; Data Center's preliminary estimates, travelers in America spent more than $180 billion last year, accounting for approximately 7 percent of the gross national product.

Everyone from airline presidents to sourvenir stand operators benefited while serving the more than 12 million Americans and visitors from other countries traveling here during the average day in 1981.

Travel and tourism provide economic reward in the form of jobs, income and tax revenue. But this activity is also an integral part of the America way of life. Many millions of our citizens travel away from home each year to enjoy the physical and mental health benefits tourism provides.

If the travel industry is to continue to offer the service and opportunities that our people desire, the federal government must provide a conducive environment. A major element of this environment is a national economy that allows Americans to freely travel, and the industry to freely serve.

For the past decade, taxes have grown bigger, inflation has grown faster, and business activity has been stung by a number of brief but sharp recessions. It is time for longterm economic programs that will decisively reverse the trends of the past. We need to return to growth and prosperity as the norm, rather than the exception in the American economy.

A brief example can emphasize what a growing economy with moderate inflation can mean for travel and the travel industry in this country. Nineteen seventy-eight was the last banner year for the U.S. travel industry. Adjusted for inflation, travel industry receipts rose three percent as travel grew little more than 8 percent. Travel industry employment for the year was more than 7 percent higher than in 1977.

It is no conincidence that this was also a vintage year for the national economy. The nation's real Gross National Product, with inflation was less than 8 percent. Total employment increased more than five percent, and disposable personal income grew nearly 4.5 percent after removing inflation.

In contrast, 1981 was a poor year both for the national economy and the travel industry. Real GNP rose a scant 2 percent as consumer prices increased more than 9.0 percent. Employment grew about one percent for the year.

As a result, growth stagnated in the travel and tourism industry. As travel prices maintained double-digit rates of advance for the third year in a row, real travel industry receipts grew less than one percent. Travel industry employment was up only 3 percent, still better than the overall economy, but relatively poor compared to the historic trend.

If the industry is forced to continue in the economic environment of the last two years for the balance of this decade, 1990 industry receipts adjusted for inflation would be only 10.5 percent higher than in 1980. Travel prices, on the other hand, would be up 240 percent; employment, up only 34 percent.

If, on the other hand, we project the economic scenario which characterized 1978, receipts would be up 34 percent by the end of the decade, rather than 10.5 percent and employment in the travel industry would double its 1980 level, rather than growing by only one-third.

It is clear that in this economic environment, the industry would resume its dynamic growth.

It is not enough, however, to concern ourselves only with domestic tourism. A resource of massive potential exists in attracting additional foreign visitors to the United States.

A significant step in the direction of more successful promotion of inbound tourism must necessarily be adequate funding for the U.S. Travel and Tourism Administration (USTTA). Without such funding and mandate and potential of the National Tourism Policy Act amounts to nothing. The World Tourism Organization (WTO) showed that the United States in 1980 was 25th in the top 25 annual national government tourism office budgets.

It is obvious that the passage of the Act has not laid to rest controversy surrounding the federal role, vis-a-vis the private sector role in the promotion of tourism. We are still hearing that a fraction of the funding authorized for USTTA by the Act is sufficient since "promoting tourism should be a private sector function, not the responsibility of the Government."

Since 1961, with the passage of the International Travel Act, Congress has consistently recognized an appropriate federal role in tourism promotion. The private sector cannot and should not displace this role. The reasons why are traceable to the unique and diverse nature of the industry itself.

Small business accounts for 99 percent of the travel industry as a whole, the remaining one percent being airlines and large hotels. Thus 1 percent, perhaps, of the entire industry has the financial capability to advertise abroad. These companies advertise their services, and the destinations where these services can be found. It must be remembered here that aside from government promotion, this is how every U.S. destination is marketed.

We must stop depending on the 1 percent of the industry that possesses the financial resources necessary to advertise overseas and start thinking about the 99 percent who cannot afford promotion on this scale. A full page color advertisement in a single issue of the German consumer magazine, Der Stern, costs about $35,000. The number of industry components who can feasibly finance this kind of advertising is negligible. The fact is that most travel businesses prudently market their services to foreign visitors who have already made their decision to come to the states.

We must understand and recognize that cities compete against cities, states against states, countries against countries, airlines against airlines, hotels against hotels and attractions against attractions. This is the natural rhythm of the marketplace and must be dealt with in a realistic manner.

Successful promotion of international tourism to any country depends upon its marketing as a travel destination. The private sector is not properly structured or equipped to accomplish this alone—no matter what the sum expended. For this we need a fully operational USTTA, not a bureaucratic corpse. It is so much to ask that this infant agency be given a fair trial?

To ignore the very critical role of the federal government is to waste a resource that has enormous potential for yielding financial benefits to the nation as a whole. Yet we continue to negate the need for legislation and policy which will fulfill that potential. Our highest priority in this area is imminent passage of non-immigrant visa waiver legislation. Without this vital and common sense change in outdated policy, we hamper the sale of the U.S. as a destination rather than encourage it. We must have non-immigrant visa waiver immediately before our international market share is irretrievably eroded.

One-stop clearance of customs and immigration should move beyond the experimental stage. It has already proven itself to be worthwhile and cost effective.

We have already gone decades without a proper definition of the role and contribution of service industries. Services long ago overtook manufacturing in the domination of U.S. trade, yet agreements covering that trade consist of a confusing mishmash of bilaterals with jurisdiction governing service trade sprinkled throughout the federal government.

While foreign tourism concerns are more welcome to conduct business in this country than anywhere else in the world, these same countries adopt laws and restrictions that discriminate against American airlines, hotels and tour brokers operating internationally. The United States must begin to enforce the agreements it now holds, begin to frame such agreements where there are gaps or stop "giving away the store."

The tourism industry is being attacked both by reductions in Government promotional funding and by newly threatened expanded user charges which are not proposed to provide direct improvement for or benefit to those paying these user charges.

We must remember that until 1981, multi-state regional economic development commissions operated for 12 years. In 1981, in their operations over 4.4 million dollars was devoted to domestic and overseas tourism promotion programs, in addition to the funds, 8 million dollars, authorized to the United States Travel Service for overseas use. We have for fiscal year 1983 a proposed USTTA budget of 5 million dollars, a 60 percent reduction in U.S. government expenditures for tourism since 1981. Has any other agency producing foreign exchange and positive trade balances been so badly treated?

The idea of raised user charges to reduce government general deficits and constant lowering of the level of government support of tourism seems to be somewhat analogous to the goose and golden eggs maxim.

I could not in good conscience, come before you today, Mr. Chairman, without drawing your attention to an issue which is of crucial importance to everyone, but one which is synonymous with survival to this industry: energy. In 1973, TIA established a Special Travel Industry Council on Energy Conservation (STICEC) to encourage feasible and equitable energy conservation programs and to represent the energy policy interests of travelers, travel employees, and the various businesses that comprise the travel industry. Since that time, our position has remained largely unchanged. We seek a policy which will not disproportionately burden any single industry and will, to the maximum extent practicable, encourage normal patterns of

use for passenger vehicles even at significantly reduced levels of supply. The potential ramifications of a policy similar to those proposed by former Administrations, such as, weekend closings and vehicle sticker plans, would be catastrophic for this industry and fundamentally unfair.

While this Administration, in formulating energy policy to date, seems cognizant of the inherent economic danger in preestablishing energy policy which is unfairly onerous to a particular industry, with emergency allocation legislation now in House/Senate Conference, the travel industry will continue to restate its case.

Tourism accounts for only 9 percent of total domestic petroleum consumption in 1980 yet generates about $180 billion in spending, or 7 percent of the gross national product. Even a cursory cost/benefit analysis in terms of energy would have to yield the conclusion that allocation policies which penalize a high-growth, low consumption industry such as travel, is economic absurdity.

Nonetheless, we can reduce our dependence on limited energy supplies, particularly motor fuel, without unfairly burdening the travel industry, by encouraging maximum utilization of our transportation infrastructure. Here too, government can and must play a critical role.

Public transportation modes of all types depend on government support through subsidies developed from different sources of taxes. Highway use for tourism represents a small portion of the total highway usage for private and commercial needs but maintenance of the interstate highway systems is of critical importance to the travel industry.

Development of greater use of public transportation through airports, airways, rail, waterways and highway improvements is mandatory, particularly in highly developed areas.

Availability and easy access by the public to various transportation modes is the key to expanded use. Intermodal terminals, with large automobile parking facilities, make it easy for travelers to use public transportation and combine modes.

Finally, Mr. Chairman, a crucial factor which must be addressed during the course of these hearings, is the sudden and disastrous demise of the Census Bureau's National Travel Survey (NTS). We in the travel industry are painfully aware that the NTS was the only source of government-based, inter-city, inter-state and inter-regional travel data. Other agencies which perhaps have the capability of collecting and analyzing some of the necessary data, have no legislative mandate to do so, and also face crippling budget cuts. The NTS is essential to the development of all travel programs and policies, both public and private, and has been utilized in virtually every economic analysis, cost-benefit assessment and feasibility study relating to travel since its implementation, in 1963. Witnesses before this very subcommittee, have in the past been consistent and unanimous in their support for the expansion of this survey, its sample, frequency and scope. It is indeed unfortunate that we must come before you today in support of its very survival which is also, not coincidentally, the position we find ourselves in today with respect to most other Commerce Department tourism programs.

The NTS, to a large degree, has assisted in removing travel from the ranks of the invisible. Its research has uncovered shifts among transport modes during energy shortage periods, suggested trends in the market for state and national tourism resources, assisted the states in most efficiently utilizing their tourism budgets and indicated demand for new tourism services.

While it is ultimately true that all industries need data upon which to base economic assumptions and plans for development and expansion, the travel industry is somewhat unique. Comprised nearly in total of small businesses, no single component of the travel industry has available to it the necessary resources to conduct statistical research of this breadth and scope. The mandate of the National Tourism Policy Act was a recognition of this fact. Among the mandated objectives of USTTA is to "assist in the collection, analysis and dissemination of data which accurately measure the economic and social impact of tourism to and within the United States in order to facilitate planning in the public and private sectors." Given the Administration recommendation for USTTA funding, however, it is not likely that this mandate will be fulfilled.

We appreciate your interest in the economic impact of tourism, Mr. Chairman, and we thank you for your continued support of this industry in providing us with today's forum.

If I can answer any questions you and the members of the subcommittee may have, I shall of course be delighted to do so.

[The following information was subsequently received for the record:]

QUESTIONS OF THE COMMITTEE AND THE ANSWERS THERETO

Question. I believe everyone agrees that the federal government should have a catalytic role in international marketing, i.e., serve as a focal point or coordinator for regional, state, and private sector ventures.

But do you believe that the Travel and Tourism Administration should also have a marketing plan which does more than mobilize the efforts of the states and the private sector?

Answer. USTTA serving as a catalyst in international marketing can hopefully generate significant numbers of foreign visitors to the United States. The USTTA marketing plan should not be limited to this area of activity. The marketing plan should include other necessary and perhaps significantly more important activities.

The Travel and Tourism Administration should have a marketing plan, and the capacity to implement that plan, keyed to meeting the basic requirements of getting the international traveler to choose the United States as his destination. The United States is in competition with all nations of the world to maintain and capture an increasing share of this substantial international market.

There are over 150 countries and territories that have Official Travel Organizations supported financially by their governments worldwide, similar to USTTA. Of the 97 countries on which detailed information is available: (1) thirty five have Cabinet level Ministries of Tourism; (2) seventy nine maintain foreign offices (some with 30 or more officies); (3) seventy four have overseas public relations programs; and (4) seventy five conduct overseas advertising programs.

The USTTA marketing plan should be built on meeting this competition as part of the Administration's overall efforts to maintain and expand U.S. foreign markets.

We believe that the Travel and Tourism Administration should have a marketing plan which not only mobilizes and coordinates the efforts of the states and the private sector but includes an advertising and promotion program that encourages travel to the United States with themes that reinforce our country's image and ideals in the international community, communicates the wide choices of activities and attractions available, and the "high value for the money" in choosing any part of the U.S. for a destination.

The USTTA marketing plan should also include the development, production, and distribution of visitor informational brochures and public sector attractions information; the operation of mailhouse services and familiarization tours for the foreign travel trade generating visitors to the U.S.; the provision of research support for U.S. participation in international travel trade shows; and financial support for U.S. participation in international travel trade shows.

Question. About 99 percent of the tourism industry is small business. Most of these enterprises have little, if any, money for promotion.

Is it realistic to expect them alone, or cooperatively to do overseas promotion, inasmuch as most of their business is from the domestic market?

Answer. The 99 percent of the tourism industry that is small business is currently struggling to maintain subsistance levels of business, principally by devoting limited resources to maintaining their domestic market shares. It would be unrealistic to expect these small operators to divert their limited and currently shrinking revenues to independent or cooperative overseas promotion at this time.

While most large companies traditionally devote a small portion of their pormotion (i.e., promotion of the U.S. generally as a destination), small businesses do not and are unable to fund generic advertising in any U.S. economic sector that we know of. Very few, if any, tourism industry small businesses market internationally; their primary focus is on the domestic tourism market where nearly all of their business comes from. They have little knowledge of overseas marketing intricacies, where their potential markets are, or the lowest cost methods of making contact with prospective customers. Until they have these needed skills and the resources to invest in such basic needs as foreign language printed materials to sell their destination, product, or service it would be a poor business decision on their part to invest in generic advertising and promotion.

The fact is that they need assistance in developing overseas marketing skills and materials to enter international markets. They feel that the taxes they pay to the federal government should, in part, go to expanding international trade. Further, it is a widely held view that the U.S. government is currently getting a big return in sales and tax revenues from foreign visitors while investing very little.

Question. Pan Am, TWA Hilton, Sheraton, etc. (in other words, "Big Business") make up about 1 percent of our tourism industry, and they spend many millions of dollars promoting destinations in the U.S. which they serve.

Would you agree that these companies cannot be expected to promote destinations in the U.S. which they do not serve?

Answer. No company, large of small, would consider it good business to devote more than token amounts of their promotional funds on generic advertising such as "Come to the United States." Many large companies in the U.S. travel industry are already promoting the United States generically as an integral part of destination specific promotional campaigns. This generic advertising, that benefits the U.S. as whole, is for the most part not separable from a conceptual or budgetary point of view, from destination specific promotion. Therefore, it cannot be expected that these large organizations would be inclined to divert any very substantial amount of money from promoting specific destinations that they serve to generic advertising that would likely benefit their competition as much as themselves.

Question. Many urge that the federal role in overseas promotion should be catalytic, and that the industry should provide the funding.

Big business is only about 1 percent of the tourism industry, and it spends many millions of dollars on its own overseas marketing programs.

In addition, according to statistics I have seen, that 1 percent of the industry spent $2.9 million last year in direct support of USTS overseas programs.

Don't you believe that speaks pretty well for the industry's joint participation in USTS's marketing programs?

Answer. As an example of the tourism industry's commitment to the support of federal initiatives, over 5,000 familiarization trips were operated in 1981 with other thousands of travel agent and tour operator trips on training and other missions.

In addition, the USTTA receives, as did USTS before it, free transportation from U.S. air carriers to and from the United States for foreign journalists and sellers of travel to the U.S. This is estimated to have a market value of many millions of dollars. U.S. hotel and motel operators provide reduced rates or free space to accommodate USTTA needs. Sightseeing is provided by bus, train, or local companies in support of USTTA activities. Meals are provided free or at reduced cost by U.S. restauranteurs. Free attendance at cultural events is also provided. City convention and visitor bureaus and state tourism development entities provide other activities at no cost to USTTA.

It is of benefit to the U.S. as a whole as well as the travel industry generally that the large companies of the United States travel industry provide this support to the federal government's overseas marketing efforts. This cooperative effort provides a means for getting the sellers of travel to the U.S. to visit and explore new marketing opportunities with all segments of the travel industry. Other countries are making similar free tour offers to U.S. and competing foreign traffic producers daily utilizing their government owned airlines, hotels, and other tourism enterprises to provide needed services with minimal reliance on their private sectors to cover these costs.

The multi-million dollar contribution by large U.S. travel industry companies to these federal efforts is not keyed to the use of unsold space. Because of tight schedules and other business commitments, most major foreign based tour producers will not or cannot accept a trip based on space available travel on any part of these trips. While substantial funds are being spent by the U.S. travel industry every year to support USTTA efforts in overseas tourism shows, seminars, travel missions, and educational programs, little recognition is forthcoming from the federal government. Although the U.S. travel industry organizations that provide this assistance may ultimately benefit indirectly from their cooperation in these efforts, the U.S. as a whole is the primary direct beneficiary.

We believe that this demonstrated spirit of cooperation, and the real legitimate benefits to the country, speaks well for "Big Business" and the U.S. travel industry.

Question. The National Tourism Policy Act requires that, within six weeks of transmittal to the Congress of the President's budget, the Travel and Tourism Administration must submit to Congress a detailed marketing plan to promote travel to the United States.

Has USTTA consulted with you about what should go into the specifics of the marketing plan they must submit to Congress?

Answer. While USTTA may have had direct contact with specific companies in the travel industry, it has not consulted with the Travel Industry Association of America (TIA) on the specifics of its marketing plan. Since TIA is widely recognized as the umbrella organization of the entire U.S. travel industry, we would, of course, welcome an opportunity to be of further assistance to USTTA by providing and coordinating professional industry inputs to the marketing plan.

Question. What is the cost of the quinquennial travel survey?

Although the Bureau of the Census will not conduct its quinquennial national travel survey, could the industry arrange for the Bureau to do it if the industry reimbursed the Bureau?

Answer. It is our understanding that the Bureau of the Census estimated the cost of its planned 1982 National Travel Survey at $2.4 million. The 1982 Survey was planned to be about one-half the size of the 1977 edition. Conducting a travel survey in 1982 comparable to the 1977 version would cost the Census Bureau $5 million or more.

The primary users of the National Travel Survey are state travel offices, academic institutions, local communities, and to a lesser but important extent, research organizations serving the private sector of the U.S. travel industry. Researchers in the industry have invested substantial amounts of money in developing computer models dependent on the quinquennial survey for data inputs. The absence of this input will seriously disrupt a system built up over a long period of time.

It is uncertain to what extent the industry would be willing to absorb the cost of such an undertaking as the National Travel Survey. States and educational institutions would not likely have the funds to contribute to the survey. The private sector would be reluctant to contribute for two reasons. The first is that it is difficult for individual companies to assess the extent or frequency of their need for this data and, therefore, how much of a commitment would be justifiable, in business terms. The second reason is the fact that the Bureau will continue to put out reports on other industries, at no cost to those industries, providing smaller returns to the government which appears to be discriminatory to the travel industry.

This is not to say that the research community of the travel industry, other than states and educational institutions, would not be willing to pay a higher price for national travel survey reports or computer tapes to help subsidize the cost, but rather that contributions to the survey not based upon the extent of direct utility and frequency of need for individual companies would not likely raise enough money to fund the entire cost of the survey. Even on a user fee basis the issue of equity between what the federal government provides to other industries and the travel industry would remain a significant obstacle to private sector willingness to finance research of significant value to the government and others.

However, it should be noted that discussions with private survey research firms indicate that the private sector could conduct a national travel survey of a given size at one-third to one-half the amount it would cost the Census Bureau to conduct the same survey. Indeed, the government ought to consider contracting out its next National Travel Survey to the private sector, to obtain maximum return for the limited funds available.

Question. Because of the budget, I understand that the Bureau of the Census will not conduct its quinquennial national travel survey.

In the past this survey has, I believe, provided valuable decision making information for the industry.

Can you give specific examples of how your segment of the industry will be adversely affected by lack of this information.

Answer. The Census Bureau's cancellation of its planned 1982 National Travel Survey will reduce productivity in the travel industry, and increase the risk of wasting scarce advertising and promotion dollars available to state and city tourism development agencies. Projects undertaken or assisted by the U.S. Travel Data Center using the 1977 National Travel Survey results suggest how industry, government and labor will lose out by elimination of the 1982 survey:

(1) State travel development agencies used the published data to determine the characteristics of their visitors to shape their advertising and promotion programs.

(2) States used special tabulations showing origin and destination flows of vacationers to determine where geographically to allocate their marketing resources.

(3) The U.S. Travel Data Center used the 1977 survey results in its Travel Economic Impact Model, to develop estimates of travel spending for different demographic groups, different segments of the travel industry, and individual states. These are widely used in assessing market potentials.

(4) An association tabulated the 1977 data to determine the size and characteristics of the motorcoach tour market, to help members develop effective marketing programs.

(5) A transportation company interested in the potential for providing intercity service in a specific region obtained a special tabulation of origin-destination flows and traveler characteristics in the region.

(6) A special tabulation was prepared for the Canadian government to indicate the number and characteristics of U.S. travelers to individual provinces and border states, to help assess the potential for travel to Canada.

(7) A tabulation of nights spent in individual states by motorcoach tourists enabled an association to estimate the economic impact of these travelers, to help assess market potential and impact of government programs.

(8) The Data Center used data on travel to Delaware in a major tourism policy study designed to evaluate the potential of expanding the state's tourism development program, and to suggest the most effective marketing strategy.

Question. Do you believe that the USTTA budget request of $5 million for fiscal year 1983 is adequate? If not, what amount do you believe would be adequate consistent with the present budgetary climate?

Answer. All segments of the travel industry testified to the complete inadequacy of the fiscal year 1983 USTTA budget. In testimony it was shown that the fiscal year 1980 budget established as a minimal budget, as a holding action pending the development of a more focused marketing plan, at $8.6 million, would require because of inflation, mandated salary increases, and higher production costs of materials, at least $10 million in fiscal year 1983 to continue the holding action.

The Tourism Policy Act mandates overseas expenditures of the fiscal year 1980 level of $6.4 million for these expenditures alone. The USTTA budget request of $5 million for fiscal year 1983 is not adequate to maintain the minimal temporary holding action invisioned in 1980. At least $10 million would be required to extend the minimal holding action for one more year.

To mount a reasonable and effective U.S. tourism program internationally, USTTA would need approximately twice this amount for international promotion. This level of funding, maintained, in real dollar terms, would likely increase foreign arrivals by nearly 50 percent in five years and increase travel receipts from the estimated $14 billion in 1981 to approximately $22 billion annually in five years. This level of expenditure would raise U.S. promotion costs from about three cents per capita to about 4.8 cents, still well below the average of 14.6 cents for other western countries.

Question. Do you agree that a promotional effort needs more than advertising? In other words, unless you have the back-up (such as literature, information, etc.) to service the demand advertising is expected to create, an advertising campaign really cannot achieve its purpose.

Answer. A pre-requisite of planning a trip is the availability of travel planning information and reasonable access to that information. Advertising, which generates an interest in visiting the U.S., without the capacity to fulfill prospective visitor's requests for trip planning information is a shortsighted expenditure. USTTA overseas offices currently find it difficult to keep pace with demands for information on U.S. destinations, maps, tour information sources, and other trip planning information from the traveling public, travel agents, and tour operators. USTTA needs, in addition to promotional funds, resources for mailing, maintenance of important mailing lists of operators and prospects, and multi-lingual brochures to service consumers making choices between the United States and competing destinations.

Question. According to testimony we have heard this morning, gifts, souvenirs, and purchases rank as the second most important category of foreign tourist expenditures, exceeded only by food and lodging.

Is it realistic to expect that the small businessmen who operate the hundreds of thousands of gift and souvenir shops throughout the country would be able, or indeed even perceive it to be in their interest, to budget funds for international tourism promotion?

Answer. It is true that foreign visitor expenditures for gifts, souvenirs, and retail purchases is exceeded only by food and lodging expenditures. Not only do expenditures on the purchase of U.S. goods by visitors to the U.S. contribute very directly to the U.S. economy, they create an additional demand for U.S. goods.

The principal beneficiaries of these expenditures are the small businessmen who operate the hundreds of thousands of gift and souvenir shops throughout the United States who lack the sophistication and resources to promote travel to the U.S., either individually or collectively. It would be unrealistic to expect these small businesses to grasp the importance of international marketing, have the capacity to understand the complexities of marketing overseas, or possess the financial resources to finance or participate in such marketing activities.

Senator PRESSLER. Thank you very much. We have a vote on the Senate floor, so Senator Cannon and I are going to try to keep the show going. If he gets back in time, he will then chair and keep it moving. If he doesn't get back in time, I'll have to have a short break and when he gets back, he will start it again.

Mr. Toohey, let me ask you, you stated in your testimony that the United States ranks 25th out of the top 25 governments in terms of spending on the promotion of international tourism. Could you give us some examples of what other nations are spending? (Pause.)

Yes, these are the top 25. And they start with Turkey at the top. Do these figures correspond with yours?

Mr. TOOHEY. Correct.

Senator PRESSLER. $80 million, Spain at $65 million. We come down to the United States at $8 million. We're down with Hong Kong. We're below Jamaica. Of course, these figures may be somewhat misleading in that our States spend additional amounts. My State spends over $1 million. Would that be a fallacy in these figures?

Mr. TOOHEY. I don't think so. Those figures are published by the World Tourism Organization, Senator, and they deal only with moneys expended by the national government. In countries like the United States and others, expenditures of States and Provinces are not included in those numbers.

Senator PRESSLER. For example, when we say that Switzerland spent $17 million, that's largely to get foreign tourists into Switzerland; whereas, when we say that we spend $8 million, that's primarily to run our national operation. There could be some fallacy. I suppose if you totaled U.S. spending on tourism, if you added in what each State spends, maybe we would be up considerably higher.

Mr. TOOHEY. I think the important thing to remember there, Mr. Chairman, is that the State government tourist offices collectively spend very, very little of the resources available to them on inbound travel promotion. Most of that is domestic expenditure.

Senator PRESSLER. Regarding the national travel survey, what level of funding would you estimate would be required to do an adequate job?

Mr. TOOHEY. That's a question, I believe, that Dr. Frechtling could more ably answer than I, but certainly it would seem to me that the level of $2 to $2½ million that was utilized on the last national travel survey did a creditable, but not complete, job.

Senator PRESSLER. I would like to ask all the panel's views on the proposed funding level for the U.S. Travel and Tourism Administration for fiscal year 1983. What suggestions would you have for David Stockman about what the 1983 budget should be for USTTA? And you might, if you're not prepared to do that, you could submit a written statement. But I'd like to get any of your spontaneous views.

Mr. TOOHEY. I think, historically, it serves a purpose to recall that the U.S. Travel Service budget, set at $8.6 million, was established 2 years ago as the absolute minimum amount of money required at that time for the agency to carry forward a minimal program.

And so restoring the budget to $10 million today would approximately equal what was required 2 years ago just to carry out a minimum program. So we're about half where as a bare minimum this agency ought to be in this proposed fiscal year 1983 budget.

We have held that if the Federal Government is truly serious about being competitive with other nations in the promotion of the United States as an inbound destination, that significantly greater resources would be required. But to keep the effort going at a minimal level of effectiveness, it would seem to me that conclusions drawn 2 years ago are still valid, and that $10 million would be an absolute minimum figure.

Senator PRESSLER. Do you have a comment?

Mr. GILLETT. I have the same feeling and I have included a comment on that in my formal testimony, which I will give in just a moment.

Senator PRESSLER. All right. I'm seeing that I'm just about running out of time. Stay right where you are. When Senator Cannon comes back, have him renew discussion. But I've got to run.

[Recess.]

Senator CANNON [presiding]. The hearing will come to order.

I understand that you completed your testimony.

Mr. TOOHEY. That's correct, Senator.

Senator CANNON. Did the other gentlemen have anything to add?

Mr. TOOHEY. Yes, they have prepared statements, brief statements, Senator, that they would like to present.

Senator CANNON. All right, why don't we just go ahead with those statements, and then there will be questions on it.

Mr. GILLETT. My name is Charles Gillett. I am president of the New York Convention and Visitors Bureau. Also, I'm chairman of the National Urban Tourism Committee of both the International Association of Convention and Visitors Bureau and of the Travel Industry Association of America.

I have submitted written testimony, but will now summarize it. I am privileged to appear before this committee tocomment fromthe perspective of urban areas, the centers of tourism in the United States. For many years, we have struggled to evolve a national tourism policy with sufficient supporting mechanisms. Throughout this long period, we haveen joyed the support of your committee. The importance of the travel industry is now widely recognized in the Congress and we are sustained by the concernand commitment of the Senate and House Tourism Caucus and members of your committee.

While New York City is No. 1 in tourism in the world, cities throughout the country experience economic benefits from tourism. There are more than 100 bureaus in the United States alone which belong to the International Association of Convention and Visitors Bureaus. And naturally, Las Vegas happens to be one of our good members, Senator.

According to extensive research conducted by the International Association of Convention and Visitors Bureaus, convention spending in the United States reached $151 billion in 1981. The tourism industry is among the top three employers in 36 out of 50 States, and we believe it will be the largest industry in the Nation by the year 2000.

For many years, our Nation has been afflicted with an adverse balance of payments. The imbalance has been especially apparent in the travel count due to the heavy flow of Americans traveling abroad. Now, thanks to promotional investments over the years by

convention and visitors bureaus, and by States, and to the improvements in the economy of many countries abroad, we have reversed this unfavorable trend. We are rapidly closing the balance of payments gap for tourism.

We cannot expect, however, that we will continue to enjoy the economic benefits of tourism unless the Government gets into tourism marketing and promotion on the level above the token effort it has asserted in recent years. The U.S. Travel Service, now the U.S. Travel and Tourism Administration, has never had enough people, enough Federal support, or sufficient mandate to carry out an effective overseas marketing program.

In recent years, it has been cut back to a degree that has further diluted its effectiveness. Last year, Congress passed legislation bolstering the Nation's ability to compete for tourism revenues in the international market. All of us in the travel industry, however, are dismayed to see this mandate to capitalize on a great national resource almost totally dissipated because of policy decisions at the highest level of Government.

It sometimes seems as though all that is left of the positive legislation which has emerged from Congress is a change of name of the Federal tourism promotion agency. When it comes to international tourism, the United States is competing against big league competition for big economic stakes. At a time when the economic priorities in this country demand that we get the most out of our tourism resources, we are playing a nickel and dime game in competing for the big tourism bucks.

I read about the automobile industry and how we're being outpaced by foreign competition. Sadly, it's true, too, when it comes to the Nation's program to compete in the international market for visitor traffic.

I'm impressed with Peter McCoy, Under Secretary of Commerce for Travel and Tourism. He's a person of stature and has quickly grasped the economics of our industry. He's the type of leader that we need to head an organization with the tremendous opportunities available in tourism development. It is sad that he has not been given the financial and manpower resources to accomplish the mission that Congress legislated. I am encouraged that broad support for tourism exists in the Congress.

I suggest to you that, despite setbacks, it is clearly in the national interest to move ahead aggressively with a competitive Federal program so that the Nation can earn maximum returns on its vast tourism resources. Thank you.

[The statement follows:]

STATEMENT OF CHARLES GILLETT, PRESIDENT, NEW YORK CONVENTION VISITORS BUREAU

My name is Charles Gillett and I am President of the New York Convention and Visitors Bureau. I also am Chairman of the National Urban Tourism Committees of both the International Association of Convention and Visitor Bureaus and of the Travel Industry Association of America.

Today I am privileged to appear before this Committee to comment from the perspective of urban areas—which are the centers of tourism in the United States.

I would like to preface my remarks by noting that for many years we have struggled to evolve a national tourism policy with efficient supporting mechanisms. Throughout this long period we have enjoyed the support of your Committee. The importance of the travel industry is now widely recognized in the Congress and we

are sustained by the concern and commitment of the Senate and House Tourism Caucus, and members of your Committee.

We feel that the understanding of tourism in Congress has come a long way since a decade ago when a Congressional commission reported that the cities were soon to become the dinosaurs of tourism. Happily, history proved the report to be incorrect. Urban tourism is stronger now than ever before; the cities have become recognized as the hubs of tourism in our nation.

While New York City is number one in tourism in the world, cities throughout the country experience economic benefits from tourism. There are more than 100 bureaus in the United States which belong to the International Association of Convention and Visitor Bureaus.

In New York City, last year, we had 17,000,000 visitors who spent $2,100,000,000. The visitor industry in New York employs 400,000 persons. Many of these are entry—level people; the visitor industry is the largest employer of minority persons. Tourism generates nearly $200,000,000 in direct tax revenues alone. The $2,100,000,000 spent by visitors does not include the economic benefits of hotel construction and other tourism-related business activity.

Tourism is regarded as New York City's leading industry. Tourism is now clearly recognized as the catalyst in the economic revitalization of our city—and I am very proud of the job that the New York Convention and Visitors Bureau has done in this respect for the people of New York City.

E. C. Sherry, President of the International Association of Convention and Visitor Bureaus and President of the Denver and Colorado Convention and Visitors Bureaus, has recently revealed the results of extensive research conducted by the International Association of Convention and Visitor Bureaus. This research shows convention spending in the United States reached $151 billion in 1981. The visitor industry is among the top three in 47 out of 50 states and we believe it will be the largest industry in the nation by the 2000.

For many years, our nation has been afflicated with an adverse balance of payments. The imbalance has been especially apparent in the travel account, due to the heavy flow of Americans traveling abroad. Now, thanks to promotional investments over the years by convention and visitor bureaus, and to the improvements in the economy of many countries abroad, we have reversed this unfavorable trend. We are rapidly closing the balance of payments gap for tourism. In New York City alone, in 1981, we were host to 2,600,000 visitors from abroad. We expect to exceed that figure in 1982. For the entire nation, 1981 was a record-setting year for overseas visitors. This means business—big business—hard currency—an economic bonanza for our country.

We cannot expect, however, that we will continue to enjoy these benefits unless the Government gets into tourism marketing and promotion on a level above the token effort the United States has asserted in recent years.

The United States Travel Service, now the United States Travel and Tourism Administration, has never had enough people, enough federal support, or a sufficient mandate, to carry out an effective overseas marketing program. In recent years, it has been cut back to a degree that has further diluted its effectiveness. So, at a time when we should be benefiting more than ever before from tourism as an economic bulwark, we are at a critical point when we do not have a viable national tourism marketing program.

Last year, Congress passed legislation bolstering the nation's ability to compete for tourism revenues in the international market. All of us in the travel industry, however, are dismayed to see this mandate to capitalize on a great national resource almost totally dissipated because of policy decisions at the highest level of government. It sometimes seems as though all that is left of the positive legislation which has emerged from Congress is a change of name of the federal tourism promotion agency.

When it comes to international tourism, the United States is competing against big league competition for big economic stakes. At a time when the economic priorities in this country demand that we get the most out of our tourism resources, we are playing a nickel and dime game in competing for the big tourism bucks. I read about the automobile industry and how we're being outpaced by foreign competition. Sadly, it's true, too, when it comes to the nation's program to compete in the international market for visitor traffic.

I am very impressed with Peter McCoy, Under Secretary of Commerce for Travel and Tourism. He is a person of great stature and has quickly grasped the economics of our industry. He is the type of leader we need to head an organization with the tremendous opportunities available in tourism development. It is sad that he has

not been given the financial and manpower resources to accomplish the mission that Congress legislated.

I also want to take this opportunity to mention that one way we are really penalizing ourselves is by closing our doors to visitors through visa restrictions and excessive customs barriers.

I am encouraged that broad support for tourism exists in the Congress. I suggest to you that despite setbacks, it is clearly in the national interest to move ahead aggressively with a competitive federal program so that the nation can earn maximum returns on its vast tourism resources.

Thank you.

[The following information was subsequently received for the record:]

QUESTION OF THE COMMITTEE AND THE ANSWER THERETO

Question. Some people have suggested that it really isn't necessary for the Travel and Tourism Administration to maintain a convention office in Paris. What are your views?

Answer. If the United States is to make a realistic effort to develop convention business from overseas it is essential that it maintain representation for this purpose in Europe. By nature, convention solicitation involves personal contacts and availability to respond to opportunities rapidly. It would be impractical to provide this service out of Washington. If European representation were eliminated it would mean that the United States had forfeited any real hope of developing this potentially lucrative segment of the market.

Senator CANNON. Thank you, Mr. Gillett. Mr. Williams?

Mr. WILLIAMS. Thank you, Senator. I am George Williams, tourism director for the State of Mississippi and it is, indeed, an honor to appear before you today in my capacity as chairman of the National Council of State Travel Directors, which is affiliated with the Travel Industry Association of America.

NCSTD is the national coordination council for State government travel offices and all State and territorial travel directors are members, representing 50 States and 6 territories. Among the objectives of NCSTD is to provide a national voice for State travel directors in all industry matters, develop programs of common concern, and benefit the State government travel offices, provide an organized vehicle for State travel directors to relate more effectively with individual travel industry components, and develop increased recognition of tourism's importance at the State level.

The enthusiastic interest in travel on the part of the States stems from a very simple rationale: The evidence has more than persuaded us that the promotion of tourism is an excellent and proven path to economic development. Travel provides large numbers of jobs and in 36 States, is one of the top three employers. Travel creates more new jobs than other industries. In 1980, 35 percent of all new jobs in the United States were created in the travel industry. Tourism-related employment in that same year grew four times that of total U.S. employment. There is not a State, particularly in these times of high unemployment, that would not welcome the creation of new jobs. Travel generates billions in tax revenue. Federal, State, and local tourism tax receipts totaled $15 billion in 1980. The States' share of that was more than 35 percent.

Given the present climate of federalism, travel is destined to become an even more essential revenue producer. We, the States, would, indeed, be remiss if we failed to diligently encourage this kind of growth and its dramatic potential.

The States have historically played a significant role in the development and promotion of domestic and international travel since World War II. The important thing to remember about the States is that our role can be augmented, but not supplanted, by city and Federal Government efforts; nor can it be duplicated by the private sector. This is particularly true when we address a promotion of inbound foreign tourism.

Needless to say, the States have much to gain from such promotion. Most States are limited, both by resources and nature of organization, in what we can contribute to the attraction of foreign visitors. Yet, States which have such resources available to them are successful case histories and they are expanding their programs every year. New York and Florida are prime examples.

That is why those of us with smaller budgets depend on a hierarchy of public and private cooperation to develop the industry. We see the passage of the National Tourism Policy Act as a pivotal part of Federal obligation. However, adequate funding for the U.S. Travel and Tourism Administration is crucial to the fulfillment of the obligation.

With the mandate of the act being to promote the United States as a destination, States will compete for our share of the expanded market by developing and promoting our individual and unique attractions and resources, as evidenced by the States' contributions to the development of major tourist-related international events, such as the World's Fair in Knoxville; the planned world's fair in New Orleans, La.; the Olympic games in Los Angeles, and the international ballet competition in Jackson, Miss.

The private sector, for its part, augments these efforts by promoting their products and services in whatever States and cities they may be found. While it seems obvious to us States must often point out that we are in no position to compete for foreign tourist dollars until the potential visitors have made the decision to vacation in the United States.

Furthermore, like most marketing entities in this country, we must spend our limited funds in the domestic arena, where the return on our marketing dollar is highest. The State of the chairman, South Dakota, provides an excellent case in point. We are told by one of our members of the South Dakota Division of Tourism, Susan Edwards, who is the travel director there, that their promotion efforts are limited by budget constraints for a 900-mile radius around the State. One-half billion dollars was spent in South Dakota by tourists last year, in large part, as a result of this promotion. Yet, tourism receipts were down an average of 9 percent, when compared with 1978, the last good year for tourism.

This is probably due to a number of factors, not the least of which is the sagging economy. Yet, it is eminently fair to point out that this loss could have been stemmed by an increased percentage of foreign tourists. South Dakota is not getting those tourists. To discover the reason why, let us take a brief look at the industry and the nature of its efforts to promote inbound travel to the United States from abroad.

For example, Rapid City, S. Dak., the city closest to Mount Rushmore, is served by six American airlines with international routes and one multinational hotel. Only one of these airlines, Northwest,

serves Tokyo, Japan. This means that Northwest Airlines and Hilton Hotels are the sole promoters of Mount Rushmore as a destination in Tokyo, a country that regularly sends over 1 million tourists to the United States. The State of South Dakota could, in cooperation with the USTTA, and other Western States, promote itself as part of the "Old West Trail" and could become a very viable and attractive destination for millions of foreign tourists from Japan and elsewhere.

The National Tourism Policy Act includes the possibility of assisting States with regional promotion programs. Such programs would go a long way toward improving the economic impact of tourism on the States, and we need to.

Finally, Mr. Chairman, I would like to lend my voice to the support of the National Travel Survey. The National Travel Survey was invaluable to the States in planning and preparing our promotion programs. Our advertising budgets were made rational with this information. We simply cannot gather and analyze this information ourselves and without it, we are flying blind.

The board of directors of the National Council of State Travel Directors has met with Mr. Peter McCoy and has pledged full support for the programs of USTTA. We stand ready to provide input and assistance to the maximum extent possible. And we have received a commitment from Mr. McCoy that his program will use our counsel. Indeed, in the spirit of the President's New Federalism, I would like to close by saying that the States look forward to a new and highly productive partnership with the Federal Government in revitalizing and expanding tourism's contributions to a healthy economy.

Thank you.

[The following information was subsequently received for the record:]

QUESTIONS OF THE COMMITTEE AND THE ANSWERS THERETO

Question. I understand that last year state travel offices spent a combined total of $136 million on travel promotion. Of that amount, only 2.6 percent was spent on overseas promotion.

Doesn't this suggest that most state travel offices have small promotion budgets; and that most of the small amounts they do have is spent in neighboring state markets?

Since states must spend their limited promotional dollars where their largest markets are located (usually neighboring states), how realistic is it to expect them to respond with dollars to a catalytic effort by the federal government to promote their state or region overseas?

Answer. Most state travel offices have small budgets which are targeted for domestic markets with geographic range restrictions to maximize the budget impact. The competition to maintain domestic market share is so intense that an even greater concentration of dollars is needed. In the past smaller amounts of advertising dollars could maintain market share in a given area but we must spend now considerably more to reach the same level of market effectiveness.

We must realize that the philosophy of "increase your advertising budgets as times get harder" should be the rule for everyone, including the federal tourism program. Many state legislators don't practice this rationally. Those states who practice wise marketing are increasing their promotion budgets to meet the pressures. Those state administrations who can't be persuaded to increase their budget to increase travel receipts, will more than likely reduce them, rather than maintaining level funding. The majority of states will probably not be able to maintain the same impact with their promotion budgets next year as they did this year due to rising costs.

It will not be realistic to depend on cooperative allocation of advertising and promotion dollars from the states toward the international marketing program as mandated under the National Tourism Policy Act. Those states who have larger budgets and who have established international marketing programs, will probably not deem it advantageous to dissipate their own destination efforts to help pay for the federal national promotion responsibility. To develop a marketing program which totally favors those who contribute heavily to its cost would be a detriment to the country's tourism industry as a whole but would be allowing tax dollars to be used unfairly for the benefit of a few areas.

This industry has many products saleable in the international market which may be located in an area unable to contribute funds or owned by small business operators who can't afford to contribute funds and these products, under the United States Travel and Tourism Administration cooperative promotion plan would not have any opportunity to be marketed to international travelers.

In summary, the states budgets must remain primarily developing domestic programs to compete for market share. It is not realistic to expect sufficient funds from the states or the tourism industry to make up the difference between the President's fiscal year 1983 budget recommendations and the amount needed to adequately market the United States overseas.

My testimony referred to certain international marketing events and state overseas tours to which the states and private industry have committed tremendous funds. The states are already contributing a larger share of the funds for international promotion than the federal government.

Senator CANNON. Thank you very much, Mr. Williams. Mr. Frechtling?

Dr. FRECHTLING. Thank you, Mr. Chairman. I am Douglas C. Frechtling, director of the U.S. Travel Data Center, and I appreciate this opportunity to discuss the economic impact of tourism before this distinguished subcommittee.

I have a prepared statement, Mr. Chairman, that I would like to submit for the record, along with the latest data on the travel industry's economic progress in 1981.

Senator CANNON. It will be made a part of the record in full and you may summarize from it, as you see fit.

Dr. FRECHTLING. Thank you, Mr. Chairman.

Many industries in America vie for public attention and government consideration. With its fragmented structure and diverse products, the tourism industry has only recently joined these ranks.

But our research in tourism and the U.S. economy has indicated that this industry and this activity play a distinctive role in our economic growth and stability. For one, tourism is an engine of employment. Nationally, tourism creates jobs twice as fast as the overall economy, and it has done so for the last two decades or so.

The travel industry is counter-recessionary. It creates additional new jobs even at the bottom of the recession, when the overall economy is cutting back. At the bottom of the 1980 recession, for example, total payroll employment in this country was down by 200,000 jobs from the year before. Travel industry employment, however, was up by 300,000 jobs from 1 year earlier.

Tourism is fundamentally an industry of small businesses, providing the opportunity for individuals to be their own bosses and to succeed or fail by their own efforts.

The travel industry provides a disproportionate share of the jobs for the traditionally disadvantaged in our Nation. Tourism provides a greater share of jobs for blacks and other minorities, for women, and for youth than the travel industry's size in our economy would suggest.

Virtually every community in America benefits from travel and tourism. In our studies of the economic impact of tourism on over 1,400 counties, we found only two that received no benefits from travel and tourism. These economic benefits usually exceed the cost to Government in providing highways, parks, and other elements of the tourism infrastructure. As a matter of fact, tourism is a large source of Government revenue. Over $18 billion in 1981 for Federal, State, and local treasuries.

In short, tourism plays an outstanding role in our Nation's economic growth and prosperity, and this should be recognized when formulating economic, energy, and regulatory policies.

Mr. Chairman, all we know about tourism's contribution to the economy comes from analysis of statistics, many of these from the Federal Government. Recent Federal spending cuts indicate that we will have substantially less information on travel in America in the future. As was mentioned before, the Census Bureau has eliminated its 1982 National Travel Survey, a survey that was begun in 1963 and conducted every 5 years after that.

Yesterday, we discovered that due to budget cuts, the Bureau of the Census is also canceling its monthly selected services receipts report. This report provides national business receipts of hotels, motels, amusement recreation services, and auto rentals on a monthly basis. These data are essential to tracking the progress of the Nation's third largest retail industry, tourism.

It is shocking that the Government would choose to eliminate this vital program when service industries including travel and tourism, comprise an ever-growing portion of the American economy.

I hope, Mr. Chairman, that this subcommittee will join the industry and other agencies in Government in reversing this decision, so that this crucial information will continue to be available to guide the vital role that travel and tourism will play in our future economy.

Before he left, Senator Pressler asked for comments on what the appropriate budget for the U.S. Travel and Tourism Administration should be in fiscal year 1983. I think I will leave that for others to comment upon, but I would like to make one observation.

At the very least, the U.S. Travel and Tourism Administration should have enough budget resources to fund a research budget of $800,000, the same level that they had in fiscal year 1978. At the very least, we should have a research program that provides us with the origin of foreign visitors to the United States on a monthly basis, the amount of their expenditures on a sound basis, and market studies for the benefit of Government and industry in promoting U.S. tourism throughout the world.

That completes my remarks, Mr. Chairman. Thank you very much for this opportunity.

[The statement follows:]

STATEMENT OF DR. DOUGLAS C. FRECHTLING, DIRECTOR, U.S. TRAVEL DATA CENTER

Mr. Chairman and members of the Subcommittee, I am Douglas C. Frechtling, Director of the U.S. Travel Data Center. The Data Center is the national non-profit research center devoted to travel and tourism. We are established in early 1973 to

improve the quality and range of research on travel and tourism to, from and within the United States.

I am delighted to have the opportunity to appear before this Subcommittee on the vital role travel and tourism play in our nation's economic growth and prosperity.

There has been a lot said and written about the contributions tourism and the industry that serves it make to the national economy. But it is still true that the federal government does not view tourism as a important tool in its economic kit. I need only refer to the plans to cut the budget of the U.S. Travel and Tourism Administration by one-third, and the Census Bureau's cancellation of the 1982 National Travel Survey as two recent examples of this neglect.

One reason government officials do not properly recognize tourism's economic role is that the travel industry is fragmented, offering diverse products to business and consumers. It is not monolithic like the steel industry, but rather a confederation of various types of businesses joined by interdependence in serving the traveler away from home.

But there is another reason for government's failure to give tourism its due recognition. Among the many industries competing for attention in the Congress and the Executive Branch, tourism appears to offer no distinctive rationale for government nurture and support. The question comes down to, "Why view the concerns of the travel and tourism industry as any more pressing than those of any other industry?"

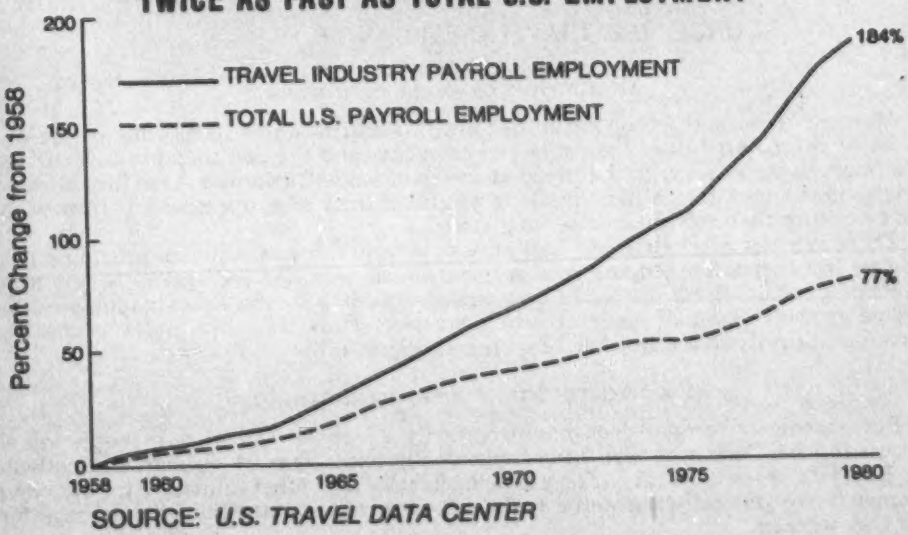
I think there is a distinctive rationale for developing federal programs that encourage travel and the travel industry, and avoid discriminating against them. Tourism and the industry that serves it deserves prime consideration for its unique contributions to the economic growth and prosperity of the United States.

TOURISM IS AN ENGINE OF EMPLOYMENT

The travel industry consistently outperforms the rest of the U.S. economy in creating job opportunities. Since 1958, the earliest year for which data are available, payroll jobs in the travel industry, including hotels and other lodging places, eating and drinking places, air transportation, and intercity bus transportation, increased 184 percent. This is more than twice as fast as the growth in total U.S. payroll employment over this period.

The travel industry contributed more than ten percent of the 39 million new jobs created over these two decades. Its share of total non-agricultural payroll employment rose 4.3 percent in 1958 to nearly 7 percent in 1980. There are few sectors of the U.S. economy that can boast of such a record.

TRAVEL INDUSTRY EMPLOYMENT HAS GROWN TWICE AS FAST AS TOTAL U.S. EMPLOYMENT



SOURCE: *U.S. TRAVEL DATA CENTER*

TRAVEL INDUSTRY EMPLOYMENT IS COUNTER-RECESSIONARY

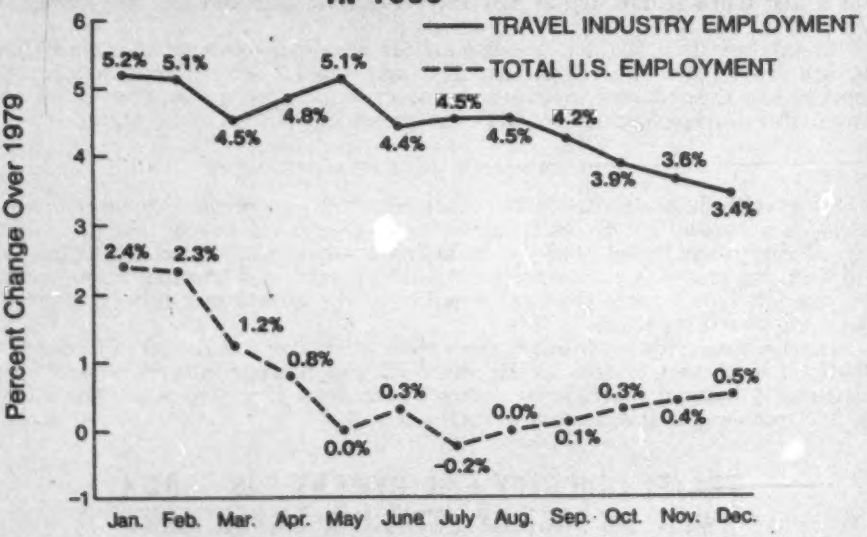
Travel industry employment has increased in every one of the 23 years for which we have complete data. Total payroll employment, however, actually fell in 1961 and 1975. This comparison suggests the counter-recessionary nature of the industry's job-creating abilities.

This can be highlighted by examining the 1980 recession, which began in January. By July, the economy had reached its trough, and total payroll employment in the U.S. was down nearly 200 thousand jobs from the previous year.

Travel industry employment, on the other hand, was more than 300 thousand jobs above its year-earlier level at the recession's low-point. The travel industry actually contributed 35 percent of the new jobs created during all of 1980.

The travel industry has exhibited similar powers during previous recessions. It has continued to increase job opportunities while total employment in the economy declines.

THE TRAVEL INDUSTRY EXCELLED IN CREATING NEW JOBS IN 1980



SOURCE: *U.S. TRAVEL DATA CENTER*

AN INDUSTRY OF SMALL BUSINESSES

Many of these new job opportunities are in small business firms. One of the distinctive characteristics of the American economy, and the one that has contributed the most to its vitality, is the preponderance of small businesses. Our institutional environment encourages individuals to establish their own businesses if they wish, and work for themselves while serving others.

There are now more than one-half million private firms in America providing passenger transportation, lodging, food service, amusement and recreation. Ninety-nine percent of these firms are small businesses according to the size standards established by the U.S. Small Business Administration. Thus, the travel industry contributes significantly to the freedom of economic opportunity we all enjoy.

JOB OPPORTUNITIES FOR THE DISADVANTAGED

But economic freedom does not necessarily guarantee all of our people equal access to jobs. Certain groups have traditionally found it more difficult than others to find jobs in our country. For example, blacks and other minority groups, and women, have generally registered higher unemployment rates than the average for all U.S. workers.

The travel industry has proved itself to be a dependable source of abundant job opportunities for these groups. While blacks and other minority groups account for eleven percent of total U.S. employment, they hold twelve percent of jobs in the travel industry. Women held 42 percent of all U.S. jobs in 1980, but accounted for 54 percent of tourism industry employment. Fragmentary data on youth employment suggest the tourism industry provides a disproportionate share of jobs for the young as well.

TOURISM'S ECONOMIC BENEFITS ARE UBIQUITOUS

Far from being concentrated in a few well-known resort areas, the economic benefits of tourism in the U.S. are widespread.

For example, every state in the nation benefits from travel and tourism activity. The tourism industry is among the top three private employers in 36 of our 51 states and the District of Columbia. In Hawaii, Nevada, Vermont and Wyoming, travel activity generates more than ten percent of total state non-agricultural payroll employment.

The Data Center has also prepared estimates of travel spending and its economic impact on 1,389 counties in the U.S., over forty percent of all such areas. The estimates are based on data derived from federal government and other respected sources, and an economic model originally developed for the U.S. Department of Interior.

Through these studies, we have found that tourism made an economic contribution to all but two of the nearly 1,400 countries we studied. Virtually every city, county and town in America finds its economy improved through serving travelers away from home. There are few industries that contribute so widely across our land.

TOURISM'S ECONOMIC BENEFITS EXCEED ITS COSTS

Measuring the economic contributions of tourism is a complex process. However, it is far more difficult to quantify the economic costs of travel. One area of cost-benefit analysis of vital concern to public officials is the amount government must spend in servicing travelers in a state, city or county compared to how much revenue they earn from these visitors.

In a major tourism policy study for the State of Delaware, the Data Center investigated this issue. We compared the traveler-costs to the state of constructing and maintaining highways, operating parks, managing fish and wildlife resources, and providing overhead services such as fire prevention. Then we compared these costs to the revenue visitors provided in the form of gasoline taxes, park admission fees, hunting and fishing licenses and other taxes and fees.

Although Delaware has no general retail tax, we found that the State collected a net twenty cents from every visitor to the state. In fiscal 1977, visitors contributed $2.5 million more than they cost the state treasury.

If a small state without a general sales tax earns net income from visitors, other government profit even more from tourism, in our opinion.

Overall, tourism activity generates more than $18 billion a year for federal state and local treasuries. These funds help finance national defense, schools, health and hospital services, and a host of other programs essential to the continued growth and well-being of our nation.

DUE RECOGNITION AND FAIR TREATMENT

Mr. Chairman, I have outlined six major ways tourism and the travel industry contribute to the growth and vitality of the American economy. These are six reasons why tourism deserves better recognition than it has so far achieved in the shaping of federal tax, expenditure and regulatory policies.

For there seem to me to be two choices available in forming appropriate economic policies for the decade ahead. For one, Congress and the Administration can ignore tourism and the industry that serves it. If the choice is made, we as a nation run the risk of lower rates of economic growth, higher unemployment, fewer job opportunities for the disadvantaged, economic development more geographically limited, and wider cyclical swings in our economy.

Or you and your colleagues can choose to recognize the unique and vital role tourism and the travel industry play in the U.S. economy. You can choose to—

Help develop and economic environment conducive to travel growth and industry prosperity;

Maintain and improve the nation's transportation infrastructure;

Promote and facilitate foreign travel to the U.S.;

Support domestic energy production, and fair allocation policies during periods of shortage; and

Insure adequate measurement and analysis of the economic and social implications of travel and tourism in America.

Mr. Chairman, I am sure the nearly five million Americans who owe their present employment to travel and tourism join me in urging Congress and the Administration to give this essential activity and vital industry due recognition and fair treatment in the decade ahead.

1981

TRAVEL INDUSTRY

YEAR END REPORT

INTRODUCTION

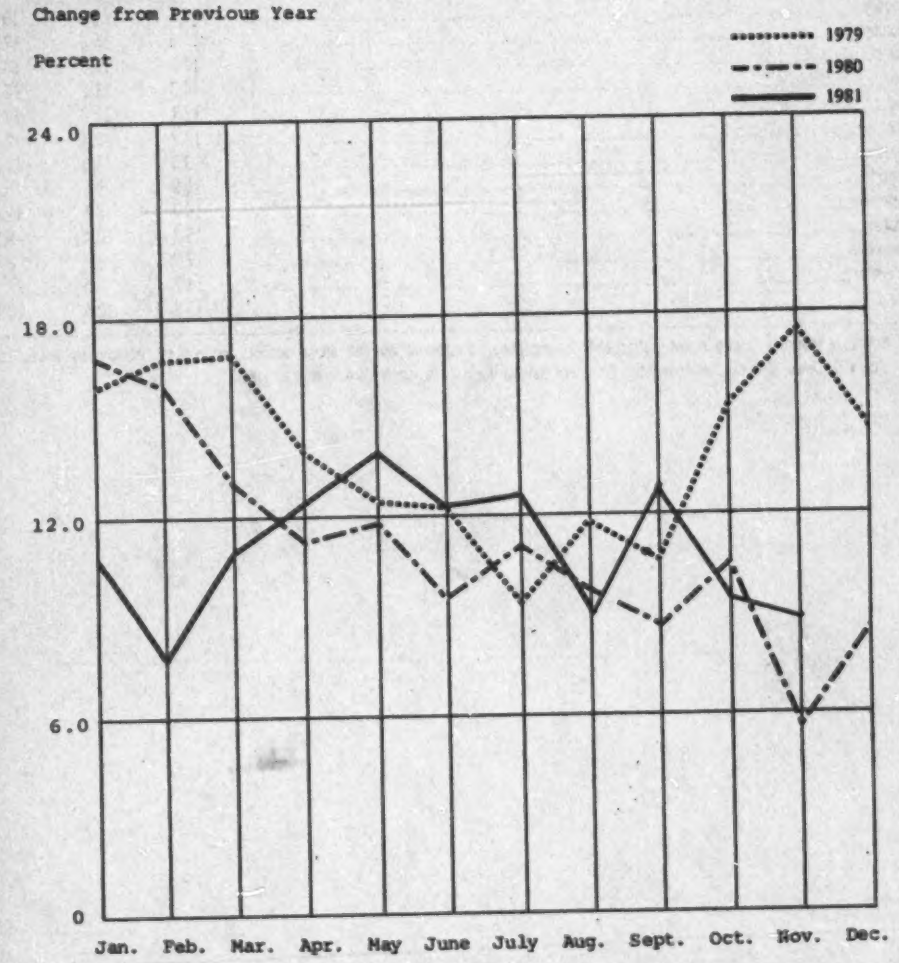
The following charts and tables were prepared by the U.S. Travel Data Center to indicate the course of travel away fro home during 1981 compared to previous years. The data are derived from the best available national travel statistics gathered by the Federal Government and respected private organizations, as well as the monthly National Travel Survey conducted by the U.S. Travel Data Center.

The six charts and tables show the percent change in monthly travel industry activity from the same month in the previous year. The "travel industry" in these pages are primary travel-serving businesses operating in the U.S. that depend upon the traveler for one-third or more of total business receipts. In some cases, the data presented include effects of local activity as well as travel away from home.

For each chart, there is an accompanying table providing the actual figures graphed. At this time, data are only available through November 1981 in most cases. Special thanks are due to cooperating officials in the source organizations listed for providing the necessary data.

For further information on definitions and historical trends, see The Economic Review of Travel In America, 1980–81, available from the U.S. Travel Data Center for $25.00 prepaid.

1981 Travel Industry Receipts Up 11% Over 1980*



*Includes commercial lodging places, eating and drinking places, amusement and recreational services, air and rail transportation companies.

Sources: U.S. Census Bureau, Civil Aeronautics Board and National Railroad Passenger Corporation (Amtrak)

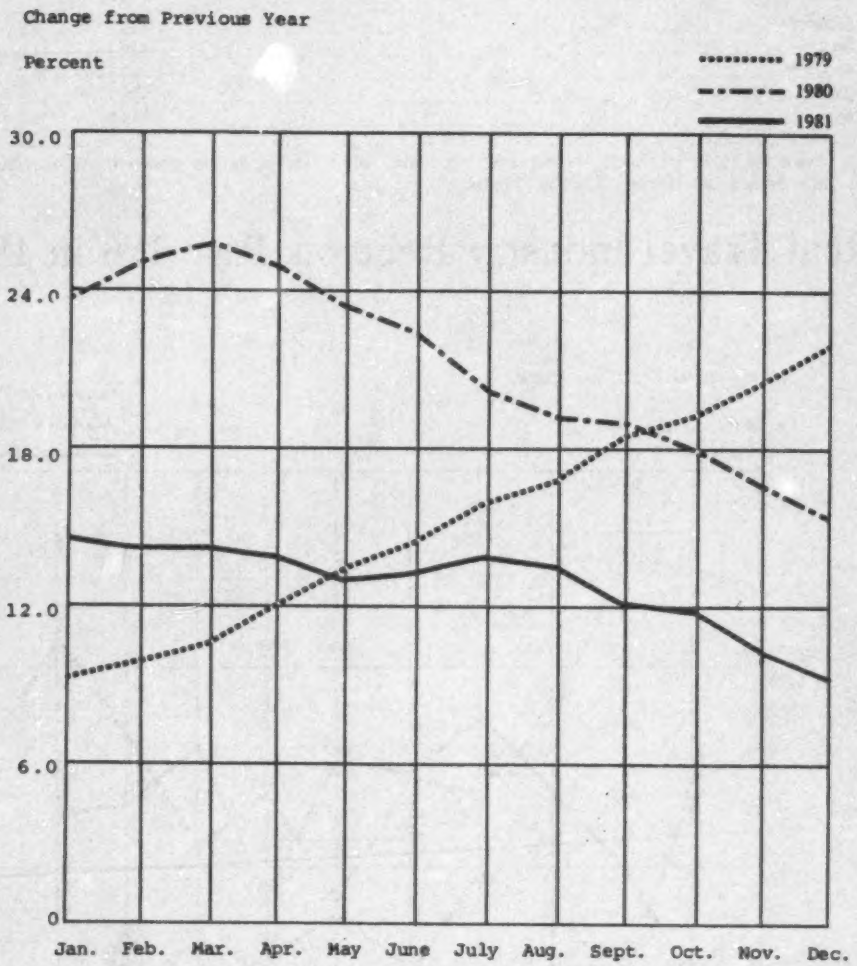
TABLE 1.—U.S. TRAVEL INDUSTRY RECEIPTS [1]

[Percent change from previous year]

	1979	1980	1981
January	15.9	16.8	10.8
February	16.8	16.0	7.7
March	17.0	13.0	10.9
April	14.0	11.2	12.3
May	12.4	11.8	14.0
June	12.2	9.4	12.2
July	9.3	11.3	11.8
August	11.9	9.9	8.3
September	10.7	8.5	12.4
October	15.3	10.4	9.5
November	17.7	5.7	8.6
December	14.7	8.5	.....
Year	13.8	10.6	10.8

[1] Includes commercial lodging places, eating and drinking places, amusement and recreational services, air and rail transportation companies.
Source: U.S. Census Bureau, Civil Aeronautics Board and National Railroad Passenger Corporation (Amtrak).

Travel Prices Rose 13% Over 1980 Average*



*Includes the prices of gasoline, common carrier transportation, lodging, food service and amusement and recreational services.

Sources: Bureau of Labor Statistics and U.S. Travel Data Center

TABLE 2.—U.S. TRAVEL INDUSTRY RECEIPTS [1]

[Percent change from previous year]

	1979	1980	1981
January	9.2	23.7	14.3
February	9.8	25.1	14.1
March	10.5	25.8	14.1
April	12.0	24.8	13.7
May	13.3	23.4	12.9
June	14.3	22.2	13.1
July	15.9	20.1	13.7
August	16.9	19.2	13.4

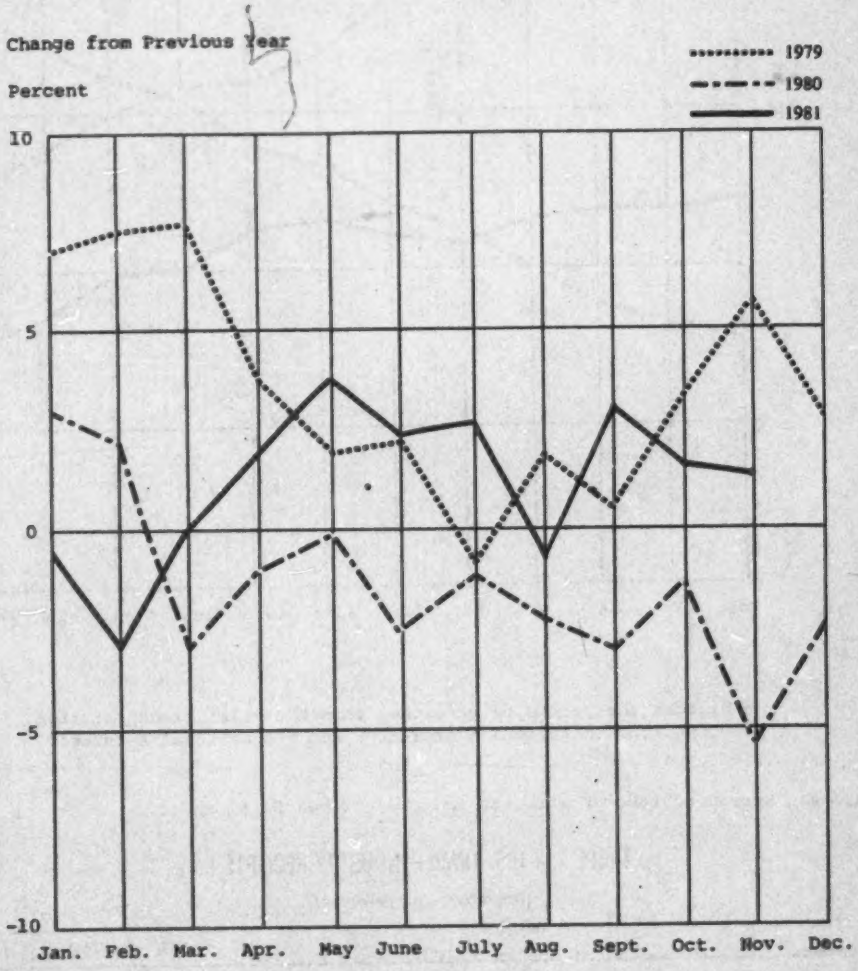
TABLE 2.—U.S. TRAVEL INDUSTRY RECEIPTS [1]—Continued

[Percent change from previous year]

	1979	1980	1981
September	18.5	19.0	12.1
October	19.3	17.9	11.9
November	20.3	16.7	11.1
December	21.9	15.3	10.6
Year	15.2	20.9	12.9

[1] Includes the prices of gasoline, common carrier transportation, lodging, food service and amusement and recreational services.
Source: Bureau of Labor Statistics and U.S. Travel Data Center.

Real Travel Industry Receipts Rise 1% in 1981*



*Includes commercial lodging places, eating and drinking places, amusement and recreational services, air and rail transportation companies; receipts in 1972 dollars.

Sources: U.S. Census Bureau, Civil Aeronautics Board and National Railroad Passenger Corporation (Amtrak).

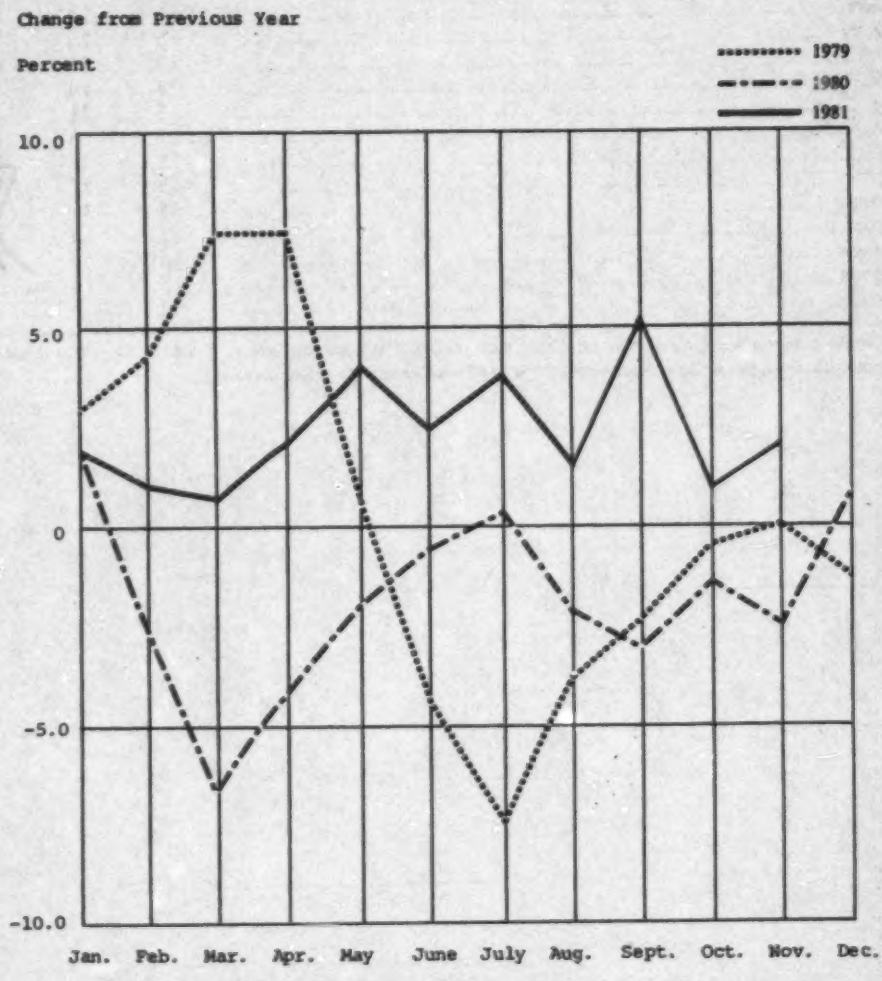
TABLE 3.—U.S. TRAVEL INDUSTRY RECEIPTS IN 1972 DOLLARS [1]

[Percent change from previous year]

	1979	1980	1981
January	6.9	3.0	−0.3
February	7.5	2.6	−3.1
March	7.6	−3.1	0.0
April	3.8	−1.0	1.9
May	1.9	−0.1	3.8
June	2.1	−2.5	2.3
July	−0.9	−1.1	2.6
August	1.9	−2.3	−0.8
September	0.5	−3.1	3.1
October	3.4	−1.4	1.6
November	5.6	−5.3	1.4
December	2.7	−2.5	.....
Year	3.4	−1.5	1.2

[1] Includes commercial lodging places, eating and drinking places, amusement and recreational services, air and rail transportation companies.
Sources: U.S. Census Bureau, Civil Aeronautics Board and National Railroad Passenger Corporation (Amtrak).

1981 Domestic Transport Volume Up 2.5%*



*Includes main rural road passenger miles, domestic certificated air carrier revenue passenger miles, all intercity bus passenger miles and Amtrak passenger miles.

Sources: Federal Highway Administration, Civil Aeronautics Board, National Association of Motor Bus Owners and National Railroad Passenger Corporation (Amtrak)

TABLE 4.—U.S. DOMESTIC TRANSPORT VOLUME [1]

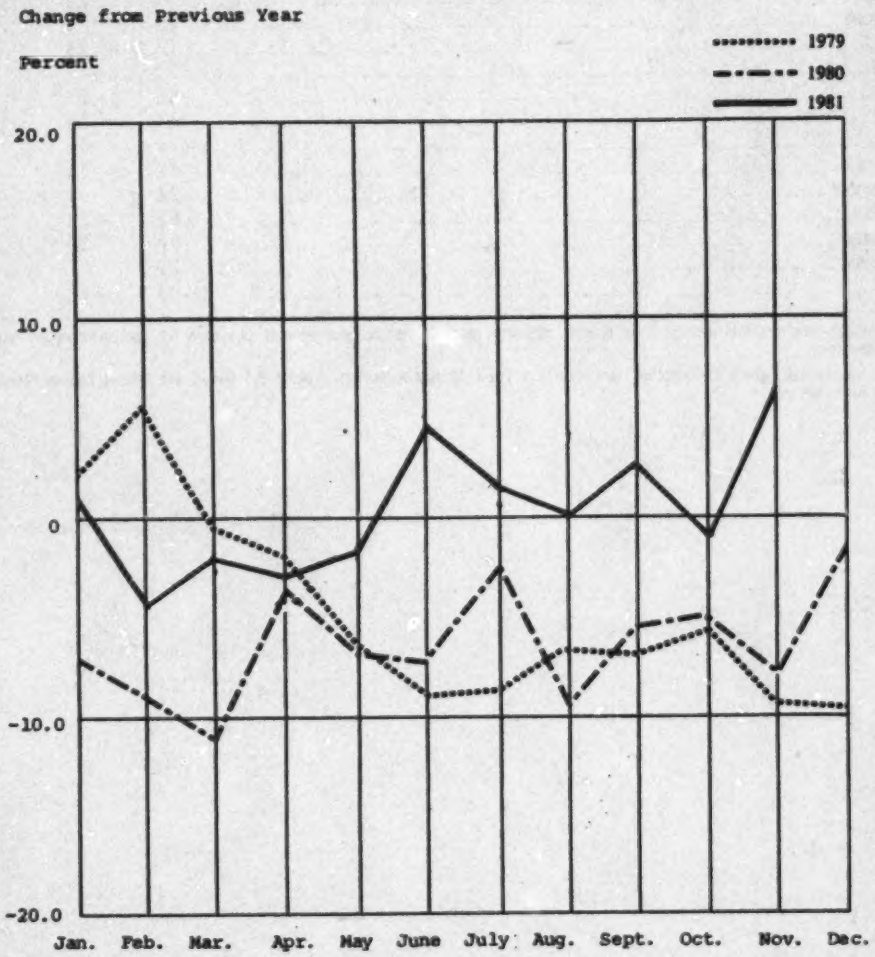
[Percent change from previous year]

	1979	1980	1981
January	3.1	2.0	7.0
February	4.3	−2.6	1.1
March	7.3	−6.8	0.7
April	7.3	−4.2	2.2
May	0.6	−2.0	4.1
June	−4.4	−0.6	2.5
July	−7.4	0.2	3.9
August	−3.9	−2.1	1.5
September	−2.4	−3.1	5.2
October	−0.3	−1.3	1.2
November	0.0	−2.5	2.3
December	−2.2	0.7	—
Year	−0.3	−1.9	2.5

[1] Includes main rural road passenger-miles, domestic certificated air carrier revenue passenger-miles, all intercity bus passenger-miles and Amtrak passenger-miles.

Sources: Federal Highway Administration, Civil Aeronautics Board, National Association of Motor Bus Owners and National Railroad Passenger Corporation (Amtrak).

1981 Motor Gasoline Usage



Source: U.S. Department of Energy and U.S. Travel Data Center

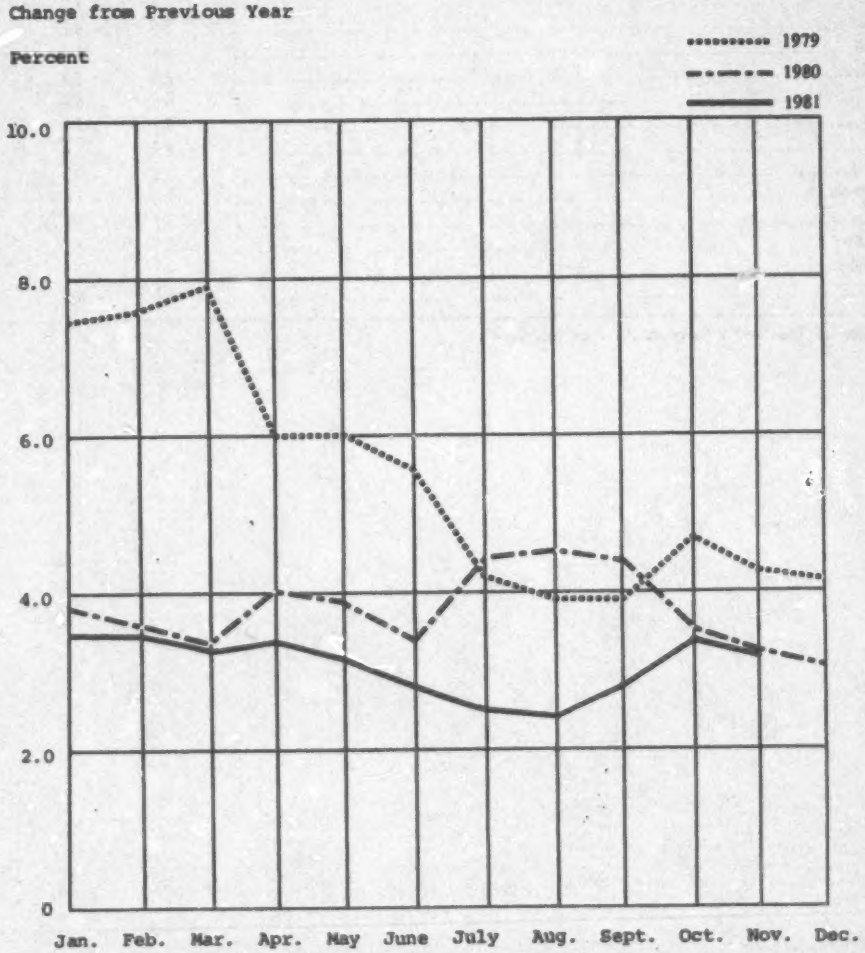
TABLE 5.—MOTOR GASOLINE USAGE

[Percent change from previous year]

	1979	1980	1981
January	2.2	−7.2	0.9
February	5.5	−9.1	−4.6
March	−0.4	−11.3	−1.7
April	−2.0	−3.6	−3.1
May	−6.6	−6.8	−1.8
June	−9.1	−7.4	5.1
July	−8.9	−2.4	1.2
August	−6.9	−9.3	0.0
September	−7.0	−5.4	2.7
October	−5.7	−5.1	−0.9
November	−9.5	−8.2	6.4
December	−9.7	−1.5	—
Year	−5.1	−6.5	0.3

Source: U.S. Department of Energy and U.S. Travel Data Center.

1981 Travel Industry Employment Up 3.0%*



*Includes commercial lodging places, eating and drinking places, air transportation, intercity highway transportation and amusement and recreation services.

Source: Bureau of Labor Statistics

TABLE 6.—TRAVEL INDUSTRY EMPLOYMENT [1]

[Percent change from previous year]

	1979	1980	1981
January	7.5	3.8	3.5
February	7.6	3.5	3.5
March	7.9	3.4	3.3
April	6.0	4.0	3.4
May	6.0	3.9	3.2
June	5.6	3.4	2.8
July	4.2	4.4	2.5
August	3.9	4.5	2.4
September	3.9	4.4	2.9
October	4.7	3.6	3.5
November	4.3	3.3	3.3
December	4.2	3.1	—
Year	5.4	3.8	3.1

[1] Includes commercial lodging places, eating and drinking places, air transportation, intercity highway transportation and amusement and recreation services.

Source: Bureau of Labor Statistics.

Senator PRESSLER [presiding]. One other question I had concerns the tourism budget for New York City, how much do you spend? What is your budget up there on tourism?

Mr. GILLETT. Our budget is $2½ million a year, of which we raise $1½ million and we receive $1 million from the municipal government. It's not really large enough, but we have been able to get the great cooperation of private industry. For instance, tomorrow, we are hosting 400 convention association executives in the Washington area at a luncheon and a gala reception. For that, we are bringing down the Rockettes from the Radio City Music Hall, in a spectacular show. We have gotten Radio City Music Hall to pay the cost of that.

We're also working with Eastern Airlines and have gotten Eastern Airlines to pick up the tab for bringing all the Rockettes and the production crew down.

So we make a dollar go a long way in New York City.

Incidentally, Bob Tish, who is our chairman, sends his personal regards to you.

Senator PRESSLER. Yes, indeed. Well, let me say that we hope to be able to attend your event, unless we go around the clock with a filibuster. And I see we have another vote up, so we may have to rotate here a little bit. I have no further questions of this panel. I want to thank each of you very much for coming.

Senator CANNON. I have a couple of questions. The National Tourism Policy Act requires that within 6 weeks of transmittal to the Congress of the President's budget, the Travel and Tourism Administration must submit to Congress a detailed marketing plan to promote travel to the United States.

Let me ask you, Mr. Toohey, and you, Mr. Gillett, has the USTTA consulted you about what should go into the specifics of the marketing plan that USTTA must submit to Congress as of this time?

Mr. TOOHEY. No; they have not, Senator, as of this point, but we have had conversations about that, expressing the willingness of

the industry to participate in those discussions and they have been agreeable to that. But an actual meeting has not taken place.

Senator CANNON. How about you?

Mr. GILLETT. The same applies to me.

Senator CANNON. The same applies. Do you believe that the USTTA budget request of $5 million for fiscal year 1983 is adequate?

Mr. TOOHEY. No, it's grossly inadequate. I don't know how the agency can function at all effectively with a budget of this amount.

Senator CANNON. Do you have a figure in your mind that you think would be adequate and consistent with the President's budgetary climate?

Mr. TOOHEY. Well, in discussing it earlier, Senator, I believe that the $8.6 million that the agency was funded at 2 years ago was established as an absolute minimum for to carry out basic programs. That would translate today, it would seem to me, into about $10 million.

Senator CANNON. That $8.6 was the authorization. Of course, the actual dollar figure didn't come out quite that high.

Mr. TOOHEY. This was fiscal year 1980.

Senator CANNON. According to testimony that we have heard this morning, gifts, souvenirs and purchases rank as the second most important category of foreign tourist expenditures, being exceeded only by food and lodging. Is it realistic to expect that the small businessmen that operate the hundreds of thousands of gift and souvenir shops throughout the country would be able to, indeed, even perceive it to be, in their best interests to budget funds for international tourism promotion?

Mr. GILLETT. Completely unrealistic. And even obtaining money from, say, the large organizations such as the airline companies and hotel chains and so on, I think the amount of money that you would get from them would not nearly be enough to make up for what you need.

I think, too often, what has happened here is that we are dealing with an agency that is bringing money in, that is going to, if it is successful, will be bringing increased revenues to the country, and, too often, sort of like a hospital or a charity, where you're giving money for a service.

If this agency is to be as successful as it should be, then it should take the money and prove it by bringing in much more additional revenues.

When you talked, Senator Cannon, that most people aren't aware that, for instance, many of the overseas visitors today are spending tremendous amounts of money in our department stores, in addition to the entertainment, the food, and lodging, it's a very big item and it will affect the entire United States.

Now it seems ridiculous that some of these other countries have recognized this many, many years ago, and we keep on diddling along. We've been diddling along for a number of years and apparently, with nothing in sight. Something always seems to come up and naturally, with the present budget conditions, this is a very serious matter. But if it's not that, in the past it's been something else. It's never been faced directly.

Senator CANNON. Sort of penny-wise and pound-foolish.

Mr. GILLETT. Yes, definitely.

Senator CANNON. Where we're not going to spend some added dollars to try to increase the net revenue of the country.

Mr. GILLETT. That's right.

Senator CANNON. As I pointed out in my remarks, according to the Department of Commerce, $18.60 is the return that we get on each Federal dollar invested in the foreign tourism promotion.

Mr. GILLETT. Yes, that's right. I think your famous city of Las Vegas is perhaps a good example of what can be done. If you go back a number of years, and really, not that many years, when Las Vegas started its promotion of conventions, let's say, they did a superb job because at the time, people said that, well, conventions with women in them, conventions with bankers in them, conventions with religious groups, would never meet in Las Vegas.

Las Vegas took an attitude that they didn't know that. And they went out and spent money and today, Las Vegas is one of the top convention cities in the United States, if not the world, only because they went out and did it. People didn't come to them; they had to go out and get them and they did it. The same thing can be said for the United States.

Senator CANNON. You're absolutely correct. We're in about the fourth or fifth expansion of our convention center activity. When this is completed, I think that we'll have the largest convention center facility in the world, probably. And one of the first conventions that we went out and sold was a convention of 5,000 Catholic women. They forgot to tell us that we couldn't get religious groups, but that was one of the most successful conventions that we ever had, and the biggest one at that particular time, outside of the World Congress of Flight. So it worked out very, very well.

Incidentally, I happened to be president of the chamber of commerce at the time we dreamed up the convention bureau and started to construct our first convention center.

Mr. GILLETT. They owe you a lot.

Senator PRESSLER. Thank you very much. I thank the panel. Next, I'm going to call our last four witnesses as a panel, and we'll get started here. I'm going to call Norman Philion, Norman Sherlock, John Lesure, and James Host, all forward. We're going to hear from each of you individually. These votes that we're having on the filibuster don't amount to much, but they keep us running.

I'm told it's John Le-shure. I mispronounced his name. And Norman, will you begin your testimony; Norman Sherlock of the American Bus Association in Washington. And if each of you could summarize as much as possible, we would much appreciate it.

STATEMENTS OF NORMAN SHERLOCK, AMERICAN BUS ASSOCIATION, WASHINGTON, D.C.; NORMAN PHILION, AIR TRANSPORT ASSOCIATION, WASHINGTON, D.C.; JOHN D. LESURE, AMERICAN HOTEL AND MOTEL ASSOCIATION, ALTAMONTE SPRINGS, FLA.; AND W. JAMES HOST, EXECUTIVE VICE PRESIDENT, NATIONAL TOUR BROKERS ASSOCIATION, LEXINGTON, KY.

Mr. SHERLOCK. Thank you, Mr. Chairman. I am Norman Sherlock, president and chief executive officer of the American Bus As-

sociation, which has about 2,400 members nationwide. We appreciate this opportunity to testify today.

The ABA represents private bus operators who conduct charters and tours, scheduled and special operations. Our membership also includes travel and tourism entities, such as hotels and motels, theme parks, attractions, state offices of tourism and others.

Last year, the bus industry carried 378 million passengers. That's more than Amtrak and the airlines combined. Nearly 54 percent of that total came in charters and tours, and this amounts to 203 million people. This growth in bus tour and charter activity reflects the greatly expanded involvement of the bus industry in travel and tourism. Moreover, it reflects the fact that the travel and tourism industry has become increasingly dependent on bus service.

When the energy shortages hit this country, State travel offices and tourism businesses were in a bind. They witnessed empty highways, empty roads, empty tables. And as they looked around, they focused on the fact that the bus industry could help fill those vacancies.

This simply became the difference between profit or loss for many of these entities.

Many communities and States today realize the importance of bus travel to their economies. As an example, Senator Pressler, I have here a letter from your home State which points out that 4,103 buses last year carried over 90,000 visitors to Mount Rushmore.

The American Bus Association has done some intensive research on the overall expenditures of bus travellers and companies on tourism in the United States and we've brought a map to illustrate this, if I could show this to you.

Senator PRESSLER. I'm going to have to run to vote, so perhaps we could wait for Senator Cannon to return. I hate to do this, but that's the way it works around here.

Mr. SHERLOCK. In case you don't get back, I'd simply like to point out that the national expenditures are over $8 billion and for South Dakota, it's $31 million.

Senator PRESSLER. I will be back, but I'm going to have to go right now or I'm going to miss it.

[Recess.]

Senator CANNON. All right, the hearings will come to order. How far along did you get?

Mr. SHERLOCK. Senator, I got about halfway.

Senator CANNON. All right, why don't you proceed, Norm.

Mr. SHERLOCK. You came in at a good time. I had just reached the point in my testimony where I pointed to the map, which indicates that the bus industry and its passengers spent over $8 billion last year in the United States. And as you look at the figures indicated by the States who are on the subcommittee, for South Dakota, that represented $31 million; for Oregon, $100 million; for Nebraska, $50 million; and Senator, from your State, a very dramatic $390 million.

We've been asked today to comment on actions that the Government might take to help the bus industry or the travel and tourism industry. There are many that we would suggest, but I would like to confine my comments to just a few.

First, enact bus regulatory reform quickly. This is the most critical issue facing the bus industry today. This legislation will modernize the law under which the bus industry has operated for nearly 50 years. H.R. 3663, the regulatory reform legislation, has three major features: First, it would give bus operators the freedom to compete more effectively, both within the industry and with other forms of transportation; second, it would permit bus operators to adjust their rates and their patterns of service to meet changing public demand; and third, it would do away with burdensome, discriminatory State regulation which impedes the growth of the bus industry today.

The second initiative—give greater financial support to the U.S. Travel and Tourism Administration. We think that there is a lot that this new organization can do under the promising leadership of Peter McCoy. But a budget of $5 million is just terribly inadequate.

We also recommend that visa waiver legislation be passed. This would encourage visitors from other countries to come to the United States and have a result that would be beneficial to the entire travel and tourism and transportation industry.

Last, because the Census Bureau has dropped the travel survey, we need a data base which can identify travel patterns and define the impact of travel and tourism on the economy.

If these steps are taken, bus operators and the travel and tourism industry will be in a far better position to help our Nation's third largest industry grow.

Thank you, Senator.

[The statement follows:]

STATEMENT OF NORMAN R. SHERLOCK, PRESIDENT AND CHIEF EXECUTIVE OFFICER, AMERICAN BUS ASSOCIATION

These hearings are timely, particularly in view of the difficult economic problems that our country is facing today and its impact on travel and tourism. Whatever the Congress and the government can do is welcome although, of course, the travel and tourism industry must do much on its own to shape its future.

Travel and tourism is a vital activity to this nation, and the intercity bus industry is proud to be an important part of it.

The American Bus Association represents approximately 2,400 members. They consist of private bus operators who conduct charters and tours, scheduled and special operations, as well as entities engaged in travel and tourism throughout the country—hotels, motels, restaurants, theme parks, destinations, and state departments of tourism.

Last year, the bus industry carried 378 million passengers, more than the airlines, and rail passenger service combined. Of these, 53.7 percent of the total bus passengers were in charters and tours, some 203 million people. It was only because of the continuing growth in charters and tours—5.7 percent over the previous year—that the industry was able to record its fifth consecutive year of growth while airline traffic was down 4 percent and rail passenger service declined 3 percent. The attached chart (Addendum I) illustrates this.

The growth in charter and tour activities reflects the dramatically expanded involvement of the bus industry in travel and tourism and their interrelation.

The success of travel and tourism activities has become increasingly dependent on bus service. The world energy situation and changing economic realities in this country are important factors.

The energy crisis that dominated the seventies and created two serious supply shortages in this country dramatically raised the perception of the importance of bus transportation. As travel and tourism destination, hotels, restaurants, and state and local travel offices engaged in promotion, looked at empty highways, empty

rooms, empty tables, and fewer travelers at the door, they focused on bus service as a means of filling those vacancies.

Bus service became a critical lifeline for travel and tourism businesses. For many, it was simply the difference between profit and loss.

Many communities and states are coming to realize how important bus travel is to their economies. As an example, a recent letter from South Dakota's Division of Tourism points out that last year, 4,103 buses carried 90,419 people to the Mount Rushmore attraction, according to the National Park Service (Addendum II attached). Another state official has indicated that a fully loaded charter bus can mean as much as $2,500 to $3,500 a day to a community in his state.

We have developed data, based on statistics of the Bureau of the Census, the U.S. Travel Data Center, and the Interstate Commerce Commission, which reflect the overall economic impact of bus travel in the various states (Addendum III). This study indicates that at least $8.1 billion is generated nationally. A graphic illustration of this study is found in Addendum IV (attached). The figures for the states represented on this Subcommittee are as follows:

Economic impact of the intercity bus industry by State

[In millions of dollars]

State:	*Travel induced revenues*
South Dakota	$31
Oregon	100
Nebraska	50

Clearly, the intercity bus industry has a great impact on almost every state of the Union and our national economy. With proper concern and attention from our colleagues in the industry and the Congress, we have every reason to believe our economic role will continue to grow, providing an ever increasing number of bus passengers to use the diverse services and facilities the travel and tourism community provides.

Today, almost 1,400 bus companies operate an estimated 22,500 vehicles and directly employ close to 50,000 individuals. Since 1977, the number of vehicles has increased by more than 10 percent and employment has grown by more than 8 percent. This is an industry which can be expected to grow if government policies do not prevent it.

The greatest strength of the bus mode is its flexibility. It can go anywhere there is a highway. Today, over 14,600 communities receive regularly scheduled bus service, and charter and tour service is available to virtually every community in the United States. The accessibility of other common carrier modes pale by comparison. Rail passenger services serve only 525 communities, while the airlines serve only 650.

Another big advantage is that the bus is by far the most energy efficient mode of intercity passenger transportation. This has been documented in study after study. Passenger miles per gallon of motor fuel in 1980 were as follows, in actual operations:

Mode of travel

	PMPG
Intercity Bus:	
Scheduled service	112
Charter and special service	208
Amtrak	45
Automobile	42
Airlines	23

With improvements in bus design, fuel efficiency of intercity bus travel will continue to increase. Figures provided by manufacturers indicate that the new generation of buses with V-6 engines will allow a charter or tour bus carrying 44 passengers to achieve 305 to 352 passenger miles per gallon of fuel consumed.

While energy and economies have stimulated a new awareness about bus transportation, the real key to its use in undergirding tourism lies in the mutual marketing line that has been established with the travel and tourism industry. Our organization has established a national bus Marketplace where about 2,000 delegates from all over the country, in all phases of travel and tourism, gather to conduct business

with bus operators. This has increased our charter and tour activity, and it has meant a great deal of money for people engaged in the travel and tourism business. The future of this cooperative relationship is promising, and we anticipate strong future growth as a result of such mutual efforts.

With this in mind, we have been invited to comment on possible actions that government might take to assist the intercity bus component and the travel and tourism industry in general to realize its full potential. We wish to emphasize that we believe the government cannot be expected to do it all without adequate support and assistance from the industry. The travel and tourism industry must do a better job of unifying, organizing, and advocating its views on major issues. We are hopeful about the promise of the new proposed Travel and Tourism Government Affairs Policy Council. This kind of organization could significantly augment your efforts in the Congress, as well as those of the Commerce Department and the other segments of the federal government involved in travel and tourism.

1. ENACTMENT OF BUS REGULATORY REFORM

The intercity bus industry's top priority is the enactment of meaningful and reasonable bus regulatory reform. Buses are currently the only major for of public intercity transportation that is severely restricted by state and federal regulations. These unduly restrictive regulations have dramatically hampered the industry from responding to the needs of the traveling public in as innovative, dynamic, and aggressive a manner as we would like, thereby placing the intercity bus industry at a competitive and promotional disadvantage. In a less regulated environment, service could be reasonably adjusted to conserve fuel, improve equipment utilization, develop more timely schedules, and set rates in a more timely fashion to meet changing public demands, respond to competitive situations, and to better reflect the cost of operating expenses. Pending legislation, HR 3663, the Bus Regulatory Reform Act of 1981, would modernize regulation of the industry yet provide for reasonable protection of service to small communities and small carriers. Although a more thorough discussion of this legislation would occur on March 8, 1982, before the Senate Surface Transportation Subcommittee, it is important to recognize the significance of this legislation to the future growth and prosperity of this segment of the travel and tourism industry.

2. IMPLEMENTATION OF THE NATIONAL TOURISM POLICY ACT OF 1981

With the adoption of the National Tourism Policy Act of 1981, heightened recognition and visibility of the travel and tourism industry was achieved. Important components of the Act, such as the establishment of a special Travel and Tourism Commerce Advisory Board, the creation of a governmental travel and tourism interagency coordinating council, and an upgraded level of authority for the travel and tourism administrative and overseas marketing mechanism, the USTTA, were all significant achievements, and the Chairman and the Subcommittee should be proud of these accomplishments. If, however, we are to take full advantage of these new components, we must achieve adequate funding. There is aggressive, dynamic new leadership at the head of the USTTA, but funding of $5,033,000, as recommended in the Fiscal 1983 budget, is insufficient to accomplish the task ahead. Proper funding is urgent if the federal government is serious about facilitating travel to and within the United States and in ensuring a strong and healthy travel and tourism sector.

3. ENACTMENT OF VISA WAIVER LEGISLATION

Although American citizens are generally free to travel abroad, we require foreign visitors to the United States to go through what is more often than not a time-consuming and frustrating process of acquiring a temporary visitor's visa. This has cost the United States a large number of visitors and millions of dollars, since many find the process offensive and burdensome. The ABA strongly endorses enactment of nonimmigrant visa waiver legislation that would not only reduce unnecessary travel barriers but help to alleviate a serious workload problem at U.S. Consular offices. In our estimation, this legislation would greatly benefit the entire travel and tourism industry and the economy in general. This legislation, endorsed by the Administration, would reduce unnecessary government regulations and red tape, while still providing for adequate protection and control. We encourage its enactment.

4. ESTABLISHMENT OF A MEANINGFUL DATA BASE

In the past, the federal government has conducted a National Travel Survey every five years. The Survey was mandated by legislation and was used to gather

information valuable to both the government and the travel and tourism industry. It was more effective and efficient for the federal government, rather than private industry, to conduct this research because the Bureau of the Census is geared for such survey work and because the response to a government survey tends to be better than the response to a private survey.

Now, however, due to budget restrictions, the 1982 Survey will not be conducted. Neither the Department of Transportation nor the Bureau of the Census has the funds necessary for this research. Without this data, government at all levels—local, regional, state, and federal—will lack the information on the traveling habits of its citizens that is needed to make decisions affecting the travel and tourism community. The business community will similarly be without the appropriate data to make small business decisions. Without the National Travel Survey, private groups wishing to collect this kind of data will have to duplicate survey efforts and expenses. The resulting data would be fragmented and dispersed throughout the country and the industry.

The ABA believes that the federal government has an important role to play in data accumulation and analysis, and we would encourage the federal government to pursue proper funding of a National Travel Survey. Without leadership and coordination from the federal government, a serious void in this important area will be created.

5. PROPER FUNDING, MAINTENANCE, AND CONSTRUCTION OF HIGHWAYS

A sound and accessible highway system is critical for the intercity bus industry, as it is to the travel and tourism industry. America's great roadways are simply wearing out. More than half are rated "deteriorated" or only in "fair condition" by federal officials. Interstate highways, designed for 20 years of service, are aging at a rate requiring reconstrustion of 2,000 miles annually. The Department of Transportation estimates that 83% of the Interstate will be in poor condition by 1995 unless remedial action is taken. The Surface Transportation Assistance Act of 1978 which authorized federal aid for highways, highway safety, and mass transit runs out at the end of this fiscal year. The intercity bus industry is concerned with its reauthorization and believes that an adequately funded highway program must be established this year if we are to continue to adequately meet the needs of the United States travelers. Every travel and tourism business or service that is located on our highway system or is dependent upon it, has a stake in the outcome of this issue.

6. ENACTMENT OF EMERGENCY ALLOCATION AUTHORITY

Standby Petroleum Allocation legislation has passed both houses of Congress (HR 4700 and S 1503) and a joint House and Senate conference committee has reached agreement. This legislation provides the President with special powers to allocate fuel in the event of an emergency. The conference agreement provides priority status to those industries cited in previous energy legislation. The bus industry is one of these priority users, as are the other modes of mass transportation, and they should be included as a matter of necessity if the public is to be efficiently and effectively transported in times of emergency and if the bus industry is to help travel and tourism in times of shortfall, as it has done in the past.

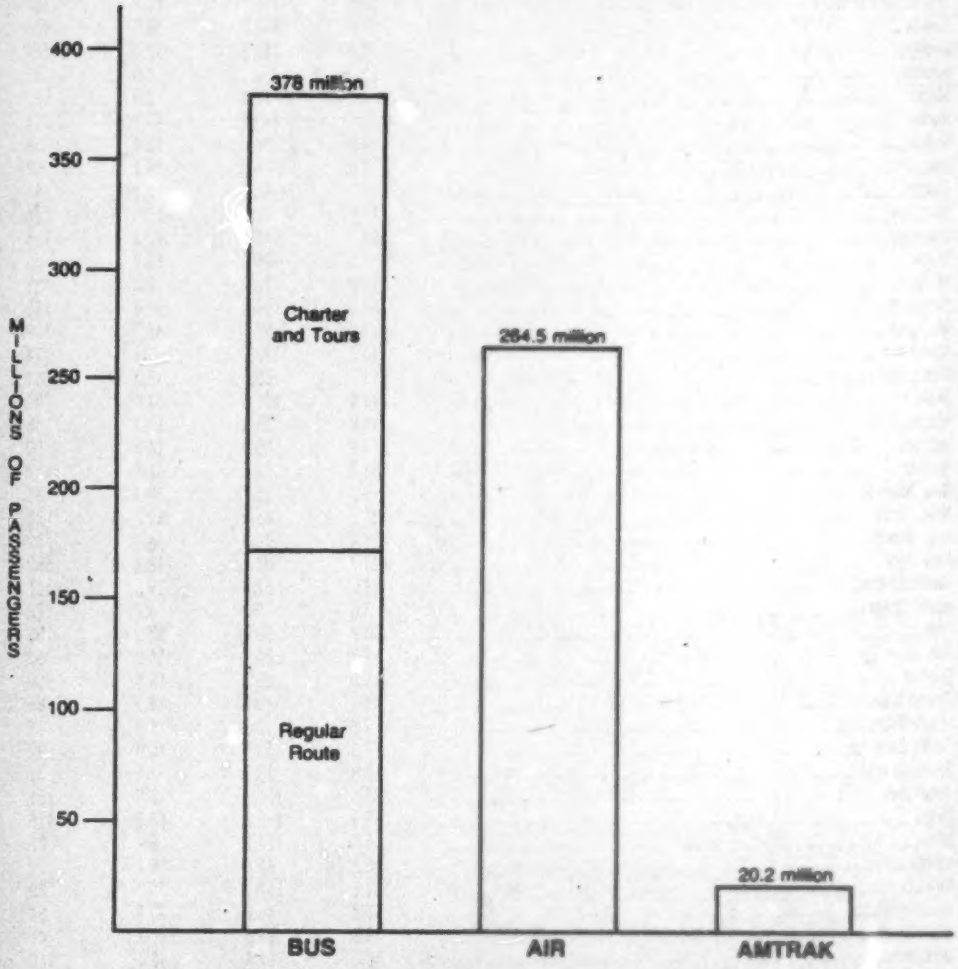
7. RELIANCE ON THE LEGITIMATE FORCES OF THE MARKETPLACE

Bus operators and tour brokers often find themselves in a situation today where entities which receive direct government funding or subsidy severely undercut or supplant their services. This kind of unfair activity on the part of publicly-subsidized competitors should be curbed, and the reliance on private enterprise operators whose activities are not supported at taxpayer expense should be promoted. This applies in the case of private bus operators who are subject to the artificially low rates of rail passenger service which is made possible by its heavy subsidies, but in some cases, charter operators by public transit authorities as well.

This is no reason that such transportation services should be allowed to maintain noncompensatory below-cost fares which allow them to undercut private bus operators or tour brokers, diminishing their revenues or putting them out of business. It is a simple matter of equity, and it avoids the ironic situation that private entities such as bus operators and tour brokers are in, paying taxes which are then used to subsidize competitors. To the greatest extent possible, the legitimate forces of the marketplace should be allowed to operate without the distortions of public subsidy.

ATTACHMENTS

PASSENGERS CARRIED BY PRINCIPAL COMMON CARRIER MODES IN 1981



THE INTERCITY BUS INDUSTRY'S NATIONAL ECONOMIC IMPACT ON TRAVEL AND TOURISM

[In millions of dollars]

	1981 bus charter and tour revenues	1981 bus traveler expenditures (overnight trips)	1981 bus traveler expenditures (day-trips)	Total economic impact
Alabama	22.1	87.4	25.5	135
Alaska	1.8	2.2	1.0	5
Arizona	18.5	71.6	20.9	111
Arkansas	20.0	68.8	23.2	112
California	111.0	517.7	128.3	757
Colorado	38.4	188.2	44.3	271
Connecticut	16.5	46.3	19.2	82

THE INTERCITY BUS INDUSTRY'S NATIONAL ECONOMIC IMPACT ON TRAVEL AND TOURISM—Continued

[In millions of dollars]

	1981 bus charter and tour revenues	1981 bus traveler expenditures (overnight trips)	1981 bus traveler expenditures (day-trips)	Total economic impact
Delaware	2.1	2.4	2.5	7
District of Columbia	23.5	108.7	49.8	182
Florida	61.4	286.0	70.6	418
Georgia	34.7	189.6	39.7	264
Hawaii	13.0	.....	2.0	15
Idaho	5.9	18.2	6.9	31
Illinois	76.1	149.2	87.7	313
Indiana	14.6	28.0	16.4	59
Iowa	14.0	36.9	16.1	67
Kansas	22.1	46.8	25.1	94
Kentucky	15.5	73.1	17.4	106
Louisiana	35.7	88.0	41.3	165
Maine	9.2	36.0	10.8	56
Maryland	12.9	22.1	15.0	50
Massachusetts	27.0	56.6	31.4	115
Michigan	31.2	92.1	35.7	159
Minnesota	44.7	228.2	51.1	324
Mississippi	15.2	29.6	17.2	62
Missouri	44.4	105.6	51.0	201
Montana	15.9	23.9	18.2	58
Nebraska	12.0	23.9	14.1	50
Nevada	88.5	162.7	301.8	553
New Hampshire	9.0	15.7	10.3	35
New Jersey	24.2	85.0	83.8	193
New Mexico	16.4	46.9	18.7	82
New York	128.7	303.2	148.1	580
North Carolina	34.2	87.8	39.0	161
North Dakota	3.6	5.2	4.2	13
Ohio	46.2	90.7	53.1	190
Oklahoma	11.7	24.3	14.0	50
Oregon	15.9	65.3	18.8	100
Pennsylvania	77.3	318.2	89.5	485
Rhode Island	4.8	7.3	5.9	18
South Carolina	17.6	54.4	20.0	92
South Dakota	6.9	15.7	8.4	31
Tennessee	36.3	116.7	42.0	195
Texas	59.9	286.2	68.9	415
Utah	5.6	14.2	6.2	26
Vermont	16.5	41.8	18.7	77
Virginia	61.1	157.2	70.7	289
Washington	17.3	46.6	20.1	84
West Virginia	9.8	19.5	11.7	41
Wisconsin	36.5	67.4	42.1	146
Wyoming	8.6	30.4	10.0	49
Total	1,496.0	4,689.6	1,988.4	8,174

Source data used to derive this information was from the Bureau of the Census, the U.S. Travel Data Center, and the Interstate Commerce Commission. We are presently conducting additional studies to refine and enhance the information we will present today, but we believe the information accumulated thus far provides a good picture of the impact that bus charter and tour businesses have on each of the state's economy.

This $8.17 billion figure does not include revenue derived by the bus companies from scheduled intercity service, package express, local service, sightseeing operations, or airport limousine service. If this revenue were added, the total figure would exceed $12 billion, in terms of the impact on the economy. One can only imagine how much direct revenue these expenditures generate as the money circu-

lates through the local state economies. The end figures totaling direct and indirect expenditures would be staggering.

What is even more striking, however, is a closer examination of the economic impact on the individual states. In South Dakota, for example, bus charter and tour travel conservatively generated $31 million; in Oregon, $100 million; and in Nebraska, $50 million. These travel induced revenues mean local jobs and employment opportunities and strong economic stimuli for almost every community and region in each and every state. When one considers that we have just begun to realize the true potential of the charter and tour segment of the intercity bus industry, these figures hold even greater meaning. The bus industry has just begun to respond to these challenges and opportunities and almost every segment of the travel and tourism industry has begun the process of reaping the benefits associated with bus charter and tour activities.

Needless to say, we must all work together if we are to ensure that this potential is realized.

ADDENDUM IV
(with Explanatory Note)

IMPACT OF BUS INDUSTRY CHARTERS AND TOURS ON TRAVEL AND TOURISM*

*Figures do not include scheduled service.

Based on the data of the Census Bureau, U.S. Travel survey, and the U.S. Travel Data Center.

EXPLANATORY NOTE

Several sources were utilized to calculate the estimated impact of intercity bus travel on state economies. They were:

The 1977 Census of Travel (also known as the National Travel Survey).

Publications of the U.S. Travel Data Center.

Economic analyses by individual states of travel's impact on their economies.

Reports filed by intercity bus companies with the Interstate Commerce Commission.

The figures contained in this chart are preliminary and conservative. No calculation of the effect of intercity scheduled service on state economies is included. Also omitted were revenues derived from package express, local service, sightseeing operations, and airport limousine services. If these were included, the total economic impact of the industry would probably exceed $12 billion.

Besides lodging (commercial accommodations) and meals (purchased in commerical eating facilities), traveler expenditures include admissions at museums, zoos, gardens, historical carnivals, theme parks, concerts, plays, movies, and sports events; costs associated with snow skiing; food purchased at grocery stores or carryouts for off-premise consumption; and spending on retail trade purchases including gifts to others, medicine, cosmetics, clothing, personal services, souvenirs, and other items of this nature are included in these estimates.

Senator CANNON. All right. Norm?

Mr. PHILION. Senator, I appreciate the opportunity to be with you this morning. For the record, my name is Norman Philion. I'm executive vice president of the Air Transport Association of America, which represents virtually all of the scheduled airlines of the United States.

With all due respect to Dr. Kahn, the airlines believe that they are an important element of the tourism and travel industry. Last year, about 450,000 flights to and from the United States were operated by United States and foreign flag airlines, transporting over 50 million passengers.

By almost any standard of measurement, however, 1981 was a very disappointing year for the airline industry, and the outlook for 1982 is not encouraging. The airlines have been hit by staggering losses because of factors beyond their control.

Like the steel and the auto industries and their losses, I suppose that qualifies us for Dr. Kahn's description of a macho industry.

The most obvious effect of travel and tourism on economic conditions of the kind now being experienced is the reduction or the softening of travel demand. Last year, for example, notwithstanding unprecedented airline promotional and competitive pricing efforts, domestic airline passenger traffic was down about 5 percent, with U.S. international airline traffic holding about even. The best that can be said about 1981 economic conditions, at least from an airline point of view, is that international travel demand held up somewhat better than that in the domestic market.

However, the consequences of the economic situation—continuing recession, high interest rates, overall declining traffic, and higher operating costs, including costs associated with more intensive airline competition here and abroad—were recordbreaking losses for the airlines. For the 12-month period ending June this year, June 1982, the U.S. airline industry operating loss based on the current outlook could amount to about $1 billion, by far the worst period in airline industry history. This follows record operating losses in calendar years 1980 and 1981.

Further, we understand that the combined losses for all airlines, United States and foreign, on the North Atlantic route alone last

year, were about $630 million. While there were several contributing factors, the most significant was declining traffic demand and the disproportionately higher costs of related competitive responses caused by economic conditions.

An illustration of the effect of adverse economic conditions on travel and tourism is the potential for conflict in the direction of economic recovery policies, both public and private. In the public sector, for example, steps taken to control spending and deficits can be counterproductive, especially if such steps have the effect of making travel more difficult, or of increasing its costs by reducing the level of essential travel-related public services or by shifting the responsibility for funding them to private parties.

Some examples of potential conflict in the direction of U.S. Government policy in this regard are discernible and should be of concern in your analysis of the future of travel and tourism.

The first involves Federal inspection services at our ports of entry. Not only does the question of the adequacy of customs and immigration inspectors at international airports arise again this year, but new concepts for funding the federally required inspections by airlines and by airline passengers are surfacing. In the Government-wide search for ways to curb expenditures, efforts are being made to shift the cost of providing many Government services to the beneficiaries or the users of such services.

We learned, Senator Cannon, for example, just yesterday of a legislative proposal being circulated within the Government which will have the effect of transferring in its first year $440 million worth of costs for inspections by customs to airlines and other users of the customs services. That's an annual figure of $440 million.

Airlines and airline passengers are not the beneficiaries of customs and immigration services. They certainly are users, but only because they are required by Federal law to be inspected. They receive no special benefit unique to airlines or airline passengers from the inspection. In fact, the inspection process itself is a distinct disadvantage in terms of the loss of time and convenience.

What frequently is overlooked is that the Federal laws requiring the inspection were enacted to protect the Nation and all of its citizens by preventing the entry of undesirable products and persons, by preventing the entry of animal and plant disease, by tariff enforcement protecting American labor and business from destructive foreign competition and discrimination, and by collecting duties on imported goods.

Last year, customs collected duties at the rate of $18 for every dollar appropriated. We believe the cost of carrying out these laws should be borne by all taxpayers.

Another policy issue is funding for the U.S. Travel and Tourism Administration. Here, again, exceptions to spending constraints are difficult to make. But a funding level of the sort being proposed, so shortly after the enactment of the National Tourism Policy Act, on which this subcommittee labored so long, is difficult to comprehend. The purpose of the program is to promote travel and tourism on a national level, for its national benefits, in ways which may not be appropriate for the private sector and in ways that highly

competitive segments of the private sector can neither afford, nor justify.

The program was not intended to supplement or subsidize the efforts of the private sector, nor does it do so. The U.S. airlines alone spent over $40 million abroad last year to promote travel to the United States, expenditures which simply cannot be diverted to the kind of efforts that the U.S. Government should be undertaking to compete with the effective national travel destination programs of other nations.

Finally, the longstanding question of visitor visa waivers must be raised again. Notwithstanding the interest and leadership of this subcommittee last year, we seem no closer to enactment of the needed legislation. There is broad agreement that waiving our visa requirement for visitors, even on a limited or selected basis, will stimulate travel to this country, and it will reduce, consistent with the current priorities, Federal Government costs at our consular offices abroad. We urge you once again to exert leadership by pressing for early Senate consideration of the visitor visa waiver bill.

That's my prepared statement, Senator Cannon, and I would be glad to answer any questions.

Senator CANNON. Thank you. As you know, Senator Pressler and I joined in sending a letter to the Judiciary Committee, urging it to act on the visa waiver issue.

Mr. PHILION. There were brief hearings before Senator Simpson's subcommittee in November and we have not been able to determine whether or not they are prepared to report out the bill. We would hope they would, but we think that there needs to be some leadership and initiative, hopefully, from your subcommittee.

Senator PRESSLER. Mr. Lesure?

Mr. LESURE. Thank you, Mr. Chairman. For the record, I am John D. Lesure, a general partner in the international accounting firm of Laventhol & Horwath, representing the American Hotel & Motel Association. I have been asked to provide you with the latest pertinent economic data on the lodging industry sector of the tourism industry.

The economic data that I will present covers the services provided by the lodging industry, both international and domestic, for all persons away from home, regardless of the purpose of the trip.

In the United States, in 1981, we estimate that international travelers accounted for approximately 100 million of a total of over 580 million occupied room-nights spent in commercial accommodations, approximately 20 percent. The balance comes from domestic tourism.

Although the accompanying economic data are the most accurate available, we cannot, of course, verify the extent to which the estimates that we have made or the growth that we have projected will be achieved. I was rather shocked to learn from Doug Frechtling's talk today that one of the most valuable sources of information for our report will no longer be available—the monthly report of receipts from selected services.

It will make it very difficult in the future to prepare estimates similar to those that I have in my statement.

In January 1982, the lodging industry in the United States consisted of approximately 2.6 million guest rooms in some 55,000 es-

tablishments. Internationally, we estimate that there are about 265,000 establishments with nearly 8½ million guest rooms. The estimated international volume was approximately $73 billion in 1981 and approximately 4 million persons were employed directly in the lodging industry.

The lodging industry contributes directly to the economy. In the United States, in 1981, from an estimated $29 billion in total revenue, approximately 27 percent went to salaries and wages of individuals, some $7.3 billion, and another 13 percent went directly to the Federal, local, and State agencies in the form of taxes.

The resources and base data are not available upon which the same computations can be made for the industry worldwide. However, we estimate that of the $73 billion, approximately 85 to 90 percent probably remained within the communities and countries in which the facilities are located.

There is another service export other than direct and indirect contribution to local economy that must be stressed. In 1980, the 25 largest U.S. lodging chains had nearly a thousand establishments, or 15 percent of their total properties located outside of the United States. Income from those operations returns to the United States, some of it in the form of direct payments for franchise fees and management fees, for exporting the expertise of U.S. hotel operators, and some in the form of net income from operations.

There is also a significant amount of indirect employment generated by the purchase of goods and services by the lodging industry. We estimate that it amounts to nearly one person for every three directly employed in the U.S. lodging industry.

The projected growth for the next 5 years is given in my statement in appendix A, table 2. Essentially, we are projecting that the average annual increase in capacity over the last several years will continue, both in the United States and worldwide, that sales over the next 5 years will show a real growth of approximately 3.6 percent annually, and that employment will increase in the United States at about 4.4 percent and worldwide at a 2.4 percent level.

There are six very important factors that affect the growth, or will affect the growth, of the lodging industry in the future: The availability of funds for expansion of capacity; the manpower for opening and operating lodging places; management capability to operate successfully in a rapidly changing economic and physical environment; the seasonality of demand; the availability and cost of transportation and communication services; the availability and cost of energy.

These factors are described more fully in the statement.

The lodging industry does not seek favored status, special regulations, or direct Government assistance. But we do believe that there are some direct and indirect actions that can be taken that will improve growth. One that has been mentioned several times this morning, simplify the procedures for obtaining temporary travel permits for persons visiting this country from other countries, to the extent possible and practical.

Encourage and simplify the acceptance of foreign currencies by all those providing goods and services to international travelers. Visitors from other countries prefer to pay cash and they have dif-

ficulty in doing so in most tourism facilities in this country which are not prepared to accept international funds.

Refrain from placing restrictions on the deduction of ordinary and necessary business expenses incurred in travel and business promotion.

And avoid attempts to legislate the base for equitable payment for employment.

We feel that Government and industry, acting together, can continue to promote international travel to this country. That is the end of my prepared statement and I would be pleased to answer any questions.

[The statement follows:]

STATEMENT OF THE AMERICAN HOTEL AND MOTEL ASSOCIATION

I am John D. Lesure, a general partner in the international accounting firm of Laventhol & Horwath. I appear before you representing the American Hotel & Motel Association which is a federation of hotel and motel associations located in the fifty states, the District of Columbia, Puerto Rico and the Virgin Islands. Our firm is an allied member of that association. I have been asked to provide you with the latest, pertinent economic data on the lodging industry sector of the tourism industry, an area in which our firm has specialized for over 65 years.

Laventhol & Horwath produces and publishes the definitive statistics in the hospitality field. Since July 1928 information from our monthly reports of trends in the lodging industry has been published by the U.S. Department of Commerce in Survey of Current Business. In my role as Director of Research for the firm, I supervise the preparation of industry statistics personally and monitor continuously the trade publications and those government studies and bulletins that pertain to the lodging industry, both domestic and international. The major resources that provided information for this statement are listed in Appendix B.

Other witnesses will report to you on the volume and growth of international and domestic tourism. In the international publications, the terms "tourism" and "tourist" generally cover all temporary visitors staying away from home overnight, regardless of purpose. The segments are identified as "international" and "domestic" tourism. However, in the United States, "tourism" is assumed by many to apply only to pleasure travelers. The economic data I will present cover the services provided by the lodging industry, both domestic and international, for all persons away from home regardless of the purpose of their trip, including persons using the bars, restaurants and other services of an establishment who may return to their homes to sleep. This distinction is important because international travelers worldwide provide less than 25 percent of the occupied room nights in the lodging industry. The ratio varies significantly from one country to another; in the United States in 1981, Laventhol & Horwath estimates that international travelers accounted for approximately 100 thousand of a total of over 580 thousand occupied room nights in commercial accommodations, or less than 20 percent. The balance comes from domestic "tourism".

In addition to the problem of definitions, the person attempting to compile economic data on the domestic and international lodging industry faces a difficult task. For example, there is no completely accurate inventory of available capacity of the lodging industry either domestic or international, and the number of person nights spent annually in commercial accommodations can only be estimated using many sources which are also estimates. Although the accompanying economic data are the most accurate available, and they have been verified to the extent possible by reference to the resources listed in the Appendix, Laventhol & Horwath and the American Hotel & Motel Association can in no way guarantee the accuracy of the estimates or that the projections of future growth and volume can be achieved.

SIZE AND VOLUME

At January 1, 1982, the lodging industry in the United States consisted of approximately 2.6 million guest rooms in 55,000 establishments. Some 300,000 of those rooms in 8,000 establishments were not open all year so that total employment, which averaged nearly 1.1 million persons during the year, ranged from fewer than 1.0 million persons in January and February to nearly 1.2 million in August, 1981.

Total receipts of the U.S. lodging industry in 1981, including gaming, were estimated by Laventhol & Horwath at nearly $29.0 billion.

Estimates of the scope of the industry internationally are based upon less-reliable data and must be confined to what is generally called the "free world". Using information provided by the World Tourism Organization, and other international agencies we estimate that there were 265,000 establishments with nearly 8.5 million rooms worldwide on January 1, 1982.

These establishments offered accommodations of a class similar to those defined in the United States by the Bureau of the Census as hotels, motels, motor hotels and tourist courts (SIC 7011). The estimated volume in 1981 was nearly $73 billion dollars (U.S.) and approximately 4.0 million persons were employed directly in the lodging industry, as defined.

Utilization of the available capacity is subject to many seasonal and other factors affecting demand. Annual occupancy varies from 60 percent in some countries and for some types of accommodations to over 80 percent in major tourist destinations like Hawaii and Las Vegas. We estimate that in 1981, 695 million domestic and international travelers spent over 3.1 billion nights in commercial lodging establishements worldwide, excluding the People's Republic of China, Russia and countries in eastern Europe. A summary of the latest, pertinent data pertaining to the lodging industry in the U.S. and Worldwide is presented in Appendix A, Table 1.

CONTRIBUTION OF THE LODGING SECTOR TO THE ECONOMY

An estimated 80 to 85 percent of the revenue received by lodging establishments comes from visitors to the area, and the balance from local residents. The contribution by the industry to the economy of an area is the same as that generated by exports. The funds arise outside of the community and a major portion stay within the local economy. In 1981, the U.S. lodging industry had the following expenditures from an estimated $29.0 billion in total revenue:

Item:	*Millions*
Salaries and wages (net of taxes)	$7,300
Employee benefit plans (not required by law)	400
Taxes:	
Employer and employee contributions to social security and other plans	2,100
Property and other local taxes	900
Federal income taxes [1]	550
Other operating expenses, including rent	11,200
Interest on borrowed capital	2,200
Capital expenditures	2,150
Total	26,800

[1] On business recipts only. Income taxes applicable to salaries of employees are included in the item "salaries and wages".

The resources and base data are not available upon which the same computations can be made for the industry worldwide. However, based on the information available we estimate that at least 85 to 90 percent of the estimated $73 billion in total worldwide lodging industry receipts remains within the communities and countries in which the facilities are located.

There are other direct and indirect contributions to local economies by the lodging industry that cannot be tabulated precisely. For example, in 1980 the 25 largest U.S. Lodging chains had nearly 1,000 establishments, or 15 percent of their total properties, outside of the United States. Income from those operations generated by the services provided to domestic and international travelers returns to the United States, some in the form of direct payments for franchise and management fees for exporting the expertise of U.S. hotel operators and some in the form of net income from operations.

There is also a significant amount of indirect employment generated by the purchase of goods and services by the lodging industry. Based on a special study conducted for the AH&MA in 1978 by our firm, indirect employment amounts to nearly 1 person for every three directly employed in the U.S. Lodging industry. No similar data are available on an international basis. Indirect employment varies greatly depending upon the capacity of the country to provide the goods and services necessary for developing and operating lodging establishments.

FACTORS INFLUENCING GROWTH

In table 2 in Appendix A are the Laventhol & Horwath projections of growth in the next five years in the lodging sector of the tourism industry, both domestic and international. We have assumed that there will be no major international crisis during the next five years.

There are many factors that influence growth in the lodging industry but increasing demand is apparently not a major concern. Studies show that throughout the world there is a tremendous backlog in demand for the opportunity to travel. Since people want to visit and conduct business in other places, the major factors that will influence growth in the lodging industry in the next five years are, not necessarily in the order of importance:

1. The availability of funds for expansion of capacity.
2. Manpower for opening and operating lodging places.
3. Management capability to operate successfully in a rapidly changing economic and physical environment.
4. Seasonality of demand which causes under-employment and under-utilization of facilities.
5. The availability and cost of transportation and communication services.
6. The availability and cost of energy.

Some explanation of those factors and their relative importance is essential to this statement.

1. Need for funds.—There are many cities in the United States and many places in the world where new lodging facilities are either needed now or will be required in the next five years to meet the needs of travelers. In the face of the probable budget deficits in the United States and lower economic growth internationally, funds for expansion will continue to be scarce and expensive. The major hotel chains will continue to build but those will be relatively costly accommodations. The next wave of travelers will be seeking lower-priced, no-frills facilities, in my opinion. Although easier to finance, the number of accommodations necessary worldwide by the end of the decade represents a very substantial investment.

2. Manpower.—The lodging industry is a big employer of unskilled and semi-skilled workers. Most of the ones presently unemployed are in those categories. Why is there a manpower shortage? This is a complex question, but many so-called menial tasks go begging, even when unemployment is at the highest level in decades. All of the agencies and associations involved must work together on this problem.

3. Management capability.—The lodging industry can no longer survive under the "mine host" concept. To be successful, operators must have many and varied skills including a knowledge of computers and other modern management techniques. There are educational institutions all over the world turning out trained people, but they number only a fraction of what will be required as travel increases.

4. Seasonality of demand.—We continue to adhere to the five-day week, an eight hour day, and summer vacations, in spite of some minor attempts to change those fixed concepts (four-day week, 12-month school year, flexi-time). We continue to build factories, office buildings and institutions that will be used only 60–70 percent of the daylight hours annually or less than 25 percent of total hours. That is a waste of money and of resources which are getting scarcer each year. In addition, pressures of high demand in certain seasons creates imbalances in employment, utilization of facilities and overloading of all segments of the tourism infrastructure. A real shift toward a seven-day week, a 24-hour day and year around vacations is needed.

5. The availability and cost of transportation and energy are closely related. The lodging sector cannot provide services if customers have problems with the transportation system, cannot afford to travel frequently, or cannot obtain gasoline for their automobiles. In the United States the lodging industry is highly dependent upon the extent to which travelers feel free to use their personal vehicles. Declines in room occupancy during the gasoline shortages in recent years attests to this. A significant number of the guests of lodging establishments use the airlines also; occupancies in July and August, 1981 suffered from the air controllers' strike, and fare increases in 1980 and 1981 have influenced businessmen to curtail travel.

WAYS THE FEDERAL GOVERNMENT CAN IMPROVE CONDITIONS

The lodging industry does not seek favored status, special regulations or direct government assistance. In fact, like most businessmen, lodging operators believe that the least government is the best government. However, there are direct and indirect actions that can be taken that will improve growth:

1. Simplify the procedures for obtaining temporary travel permits for persons visiting this country from other countries, to the extent possible and practical. Task forces of government agencies and AH&MA are working on this, I believe, and some progress has been made.

2. Encourage and simplify the acceptance of foreign currencies by all those providing goods and services to international travelers. Visitors from other countries apparently prefer to pay cash when they can; most tourism facilities are unprepared for this.

3. Refrain from placing restrictions on the deduction of ordinary and necessary business expenses incurred in travel and business promotion. The business meal expense is not only a legitimate and necessary expense of doing business but it also adds to the employment rolls.

4. Avoid attempts to legislate the base for equitable payment for services. The marketplace must be the ultimate evaluator of what is equitable.

Businesses and self-employed individuals collect and pay nearly all of the taxes that support government. Restrictions on business growth and development interfere with that process and deficits result. There is ample evidence for this right now. There must be rules and someone to enforce them, but (if you will pardon the metaphor) let's not have the referees call the plays, it makes a slow game.

Thank you for the opportunity to present this statement. I will be pleased to answer your questions.

Appendix A

TABLE 1.—THE LODGING SECTOR OF THE TOURISM INDUSTRY PERTINENT ECONOMIC DATA AS AT JANUARY 1, 1982

	United States	Worldwide
Size:		
Establishments	55,100	265,000
Guestrooms	2,575,000	8,477,000
Rooms occupied annually (in millions)	580.9	1,983.0
Percentage of occupancy (based on average number available during 1981)	63.0	65.0
Sales–1981 (dollars in millions):		
Rooms	17,446.8	(1)
Food	5,305.3	(1)
Beverages	2,032.4	(1)
Other	1,610.1	(1)
Subtotal	26,394.6	(1)
Gaming	2,600.0	(1)
Total	28,994.6	72,931.2
In constant (1972) dollars	13,221.9	(1)
Average annual growth (since 1971)		
Total (percent)	12 0	12.0
Real Growth (after giving effect to inflation) (percent)	3.2	(1)
Employment:		
Total full and part-time employees (in thousands)	1,075.8	4,000.0
Indirect employment	320.5	(1)

1 Not available.

Source: All estimates of capaity, occupancy, sales and employment were prepared by Laventhol & Horwath based upon analysis of the information in the resource publications listed in Appendix B.

APPENDIX A

TABLE 2.—ESTIMATED GROWTH TO 1987 OF THE LODGING INDUSTRY

	United States	Worldwide
Size:		
Establishments	60,000	300,000
Number of rooms	2,900,000	9,600,000
Rooms occupied (in millions)	718	2,290
Percentage of occupancy	68	65.0
Average annual increase	2.4	2.5
Sales (dollars in millions):		
Total:		
In current dollars	53,700	140,000
In constant (1972) dollars	15,100	(1)
Average annual real growth (percent)	3.6	(1)
Employment (in thousands):		
Total full and part-time employees	1,360	4,500
Indirect	450	(1)
Average annual growth of direct employment (percent)	4.4	2.4

[1] Not available.

Source: All estimates were prepared by Laventhol & Horwath based upon analysis of the information in the resource publications listed in Appendix B.

[The following information was subsequently received for the record:]

AMERICAN HOTEL & MOTEL ASSOCIATION,
Washington, D.C., March 3, 1982.

Mr. JOHN HARDY,
Senate Committee on Commerce, Science, and Transportation, Dirksen Senate Office Building, Washington, D.C.

DEAR JOHN: With respect to Senator Cannon's questions, here are the answers. Take care.

Best regards,

JAMES E. GAFFIGAN,
Assistant Washington Representative.

Enclosure.

Question. Because of the budget, I understand that the Bureau of the Census will not conduct its quinquennial national travel survey.

In the past this survey has, I believe, provided valuable decisionmaking information for the industry.

(A) Can you give specific examples of how your segment of the industry will be adversely affected by lack of this information?

Answer. We have found the information in the travel survey most useful because it tells us about the number of people traveling, the number of nights spent in lodging accommodations for both business and pleasure travelers on weekends and vacations. From this information we determine makret share.

Question. I believe everyone agrees that the Federal government marketing, i.e., serve as a focal point or coordinator for regional, state, and private sector ventures.

(A) But do you believe that the Travel and Tourism Administration should also have a marketing plan which does more than mobilize the efforts of the states and the private sector?

Answer. Since the states and the private sector have on-going marketing plans aimed at benefitting their specific markets merely mobilizing their groups may not be as beneficial to the national interest as developing a plan to promote America as a destination.

Question. The National Tourism Policy Act requires that, within six weeks of transmittal to the Congress of the President's budget, the Travel and Tourism Administration must submit to Congress a detailed marketing plan to promote travel to the United States.

(A) Has USTTA conculted with you about what should go into the specifics of the marketing plan they must submit to Congress?

Answer. No

Question. Do you believe that the USTTA budget request of $5 million for fiscal year 1983 is adequate? If not, what amount do you believe would be adequate consistent with the present budgetary climate?

Answer. Budget is inadequate—needs $10 million minimum.

Question. About 99 percent of the tourism industry is small business. Most of these enterprises have little, if any, money for promotion.

(A) Is it realistic to expect them alone, or cooperatively to do overseas promotion, inasmuch as most of their business is from the domestic market?

Answer. No

Question. Pan Am, TWA, Hilton, Sheraton, etc., (in other words, "big business") make up about 1 percent of our tourism industry, and they spend many millions of dollars promoting destinations in the U.S. they serve.

(A) Would you agree that those companies cannot be expected to promote destinations in the U.S. which they do not serve?

Answer. Yes.

Senator CANNON. What is your name, sir?

Mr. HOST. I'm Jim Host, executive vice president of the National Tour Brokers Association.

Senator CANNON. OK, Mr. Host, I'm sorry. Are you the Host of Host International?

Mr. HOST. I wish I was.

Senator CANNON. I wish I was.

Mr. HOST. Senator, I am here today representing the more than 2,000 members of the National Tour Brokers Association. What I would like to do is to ask that the statement we have be entered into the record and I will simply excerpt from it.

Senator CANNON. All right, sir.

Mr. HOST. NTBA is the professional trade association of ICC licensed tour brokers and travel industry suppliers. Looking over the progress that we have made, Senator, over the past few years, I have been concerned, as others who have spoken here today, with the almost total lack of attention and support that this industry and the entire travel and tourism industry has received in Congress. We are appreciative of the National Tourism Policy Act. We are appreciative of your continuing interest and leadership in travel and tourism, Senator. In fact, Senator, if it had not been for your leadership and other fine Senators like Senator Inouye and obviously, Senator Pressler, as well as others who have been a part of this committee for years, we're convinced that there would not have been a National Tourism Policy Act.

I want to repeat to this committee and to you the need for visa waiver legislation and I don't want to explain again the need for an active U.S. Travel and Tourism Administration overseas. I don't need to echo the call for adequate funding for USTTA.

What I would like to do is to turn the attention to an area that I don't think has been discussed here today in an adequate format. In fact, two areas.

First of all, we're convinced that what is really needed is a Federal commitment toward providing the core staff to work within the guidelines of the National Tourism Policy Act. With proper staffing and support, for example, the U.S. Travel and Tourism Administration can be the catalyst to prepare for an onslaught of public and private promotion of tourism.

Here, for example, is what we're doing to demonstrate how it can work. For the first time, a "Visit USA" information map, totally

paid for and published with private NTBA funds, will be available to potential foreign visitors in USTTA offices around the world. Although this is just a drop in the bucket to the Federal Treasury, USTTA did not have the funds and we provided $50,000 raised in the private sector.

This is the first time that this map has been paid for with private funds. This map will contain, for example, all information which any foreign visitor wishes to know about how to enter our national parks and shrines.

Here is another example of how a little cooperation can go a long way toward promoting travel—travel to places like Nevada, for example. As you can see by this printer's proof, which I have in front of me here, this travel for tomorrow concept centers around the idea of encouraging the conservation of America's energy resources, and the idea here is to get Government leaders and private sector leaders toward the concept of securing public service time all over this country, not millions of dollars, but public service time across this country to promote travel within the scope of this great country of ours.

Now, Senator, let me explain the problem as it really exists in our minds toward the true implementation of the National Tourism Policy Act. The research which your committee did prior to the passage of the National Tourism Policy Act defined more than 100 agencies of the Federal Government who were involved in travel and tourism to some degree. This committee, your committee, made a decision based upon that research requiring a coordinating council which would be established to effectively determine the impact on travel and tourism which could result from actions taken by these various agencies.

We believe that barriers to cooperation are being erected every day, administratively, now, without thought to the impact on the consumer and the economy. Let me just point out two simple examples, if I might.

Were you aware, Senator, that the National Park Service is soliciting bids for a parks reservation service? It sounds like a good idea. Let a private contractor handle reservations at the National Parks. Did you know that the procurement office of the National Park Service will not let those in the parks service who have travel and tourism experience be part of the process of deciding who is going to run this system? The bureaucrats have set up a panel to judge the bids and these bureaucrats are selling everybody on the idea that this system will cost the Government nothing.

Well, it may do that, but it's going to cost the consumers millions. This new reservation system won't be anything except a vehicle for favoritism.

Now let me explain, however, that the National Parks Service has initiated a travel industry working group, evidence that they, too, recognize the need to work with the private sector.

Let me give you another example. Here is a special tariff application filed through the ICC and impacting on tourism and the national parks. It looks like it's an innocent enough looking directive. I'm sure that there is some bureaucrat over there who can explain it. But we found out that the National Park Service didn't know anything about it. The bus carrier industry didn't know anything

about it. The national park concessionaires didn't know anything about it. Yet, the ICC is ready to put this in place.

It calls for user fees, and we understand that there's got to be user fees. But there's a couple of interesting provisions in it. First of all, why should foreign visitors with a valid passport be admitted free while U.S. taxpayers must pay? And those under 16 years of age are admitted free. What about senior citizens?

Fortunately, Mr. Chairman, we got a copy of this in time to advise the National Park Service, who told us that a number of these tariffs were antiquated and even no longer in effect. Subsequently, they have asked the ICC to withdraw the tariff. Now what happens if the ICC doesn't? Would we take erroneous information from another agency of the Federal Government to bus carriers across the country, who then give this same erroneous information on charges to the thousands of tourists from overseas that we are trying to spend money to attract?

These are just two simple examples of how the bureaucracy makes end runs around congressional policy. The private sector is spending millions of dollars in research and lobbying just to find out what the bureaucracy is doing to us.

Why can't we have a system that would allow anything that impacts on tourism to be run through the proper review? It was you in this committee who called for such a review when you passed the historic legislation known as the National Tourism Policy Act.

I think, therefore, it's foolish to call for millions and millions of dollars of additional funds for promotion of international visitors to our country until we clean up our own act. Let's take the funds so appropriated and get a staff structured in such a way to carry out, first and foremost, the coordinating portion of the National Tourism Policy Act.

We believe that the task before us is clear: We need a total mobilization of resources to promote this industry. We are convinced that the true innovation, as Norm has pointed out this morning with $40 million that the airline industry is spending to come into this country, the true innovation comes from the private sector.

We believe that the private enterprise system, working with the Federal Government, can assure the vitality of travel and tourism. You have seen to it to put the mechanism in place. Now is the time to start exercising that commitment, which is a commitment to cooperation.

Senator CANNON. Mr. Sherlock, based on what we've been told here this morning, the Bureau of the Census is not going to conduct its national travel survey. Can you give us some specific examples of how your segment of the industry might be adversely affected by that lack of information?

Mr. SHERLOCK. The survey identifies how many people are traveling where and we use all of that basic information to extrapolate. For instance, some of the information that is derived is now reflected in the chart that you see before us, so we can identify the impacts that the bus traveler has economically on the various States. I think that that is the kind of thing that we're looking at.

Also, the very fact that it is broadly disseminated from a central objective source and used in that way simply means that it has a great deal of credibility. And when it is put out to the public, it

creates a sense of urgency and a sense of importance in the public mind which undergirds public policy, and in the minds of congressional decisionmakers.

We think that the survey is a good basis that you have to have in approaching all of the travel and tourism issues. If you don't have the numbers, if you don't have the facts, you cannot properly address the issues.

Senator CANNON. You indicated on your chart there that it's based on the data of the Census Bureau, the U.S. Travel Bureau, and the U.S. Travel Data Center. Now are they all drawing on that one source, from the Census Bureau, to provide that information?

Mr. SHERLOCK. I don't speak for the Travel Data Center, of course, but in our research activities, they have, as we understand, drawn on that travel survey. We have, in turn, drawn from both. So it's a basic piece of data.

Senator CANNON. Does anyone have an estimate as to the cost of that particular service that is provided now?

Mr. SHERLOCK. I was told $7 to $8 million at one point. I'm not exactly precise on it.

Senator CANNON. And that's a one-time cost during that period or is that per year?

Mr. SHERLOCK. Every 5 years.

Senator CANNON. Every 5 years. Do you believe that the Travel and Tourism Administration should also have a marketing plan that does more than mobilize the efforts of the States and the private sector?

Mr. SHERLOCK. Absolutely. It's required by the law and there should be concurrence.

Senator CANNON. Has the USTTA consulted with any of you people here at the table now about the specifics of the marketing plan that they are required to submit to Congress?

Mr. PHILION. We have had a number of discussions on various programs, Senator, but not in the marketing program.

Mr. SHERLOCK. We have had discussions also, but they have not been definitive in this area.

Mr. HOST. No.

Mr. LESURE. We've had some discussion.

Senator CANNON. Just general discussion. There's a very short time, the middle of March, the 22.

Let me ask each of you if you believe that the USTTA budget request of $5 million for fiscal year 1983 is adequate and, if not, what amount you believe would be adequate consistent with the present budgetary climate? Norm?

Mr. SHERLOCK. Well, as I indicated in my testimony, it is woefully deficient. I would think that you're talking more in the nature of $10 million to even begin to carry out the basic functions.

Senator CANNON. Norm?

Mr. PHILION. I agree, Senator. Just to get organized, I think a minimum of $10 million is required. And as you will recall from the long and detailed study conducted by this subcommittee which led to the enactment of the National Policy Act, there were estimates, 3 or 4 years ago, in the area of $40 to $50 million a year required, not to subsidize the private sector, not to supplement what the private sector was doing, but to do only those things

which were appropriate for a government to compete with other governments.

Now I know it would be difficult in today's circumstances to advocate a budget in the neighborhood of $40 to $50 million for a U.S. Government promotion effort. But I think unless we're prepared to consider programs of that magnitude, it might otherwise be a waste of money.

Senator CANNON. Mr. Lesure?

Mr. LESURE. No; I don't think that it's adequate, Senator. I'm intrigued by the number that you gave before, $18.60, I believe it was, per dollar of investment. That coincides with what the lodging industry expects to get for each dollar invested in the marketing program, and I think you'd have to go a long way and you'd get less for what you'd invest.

I really think that doubling the budget would probably be more adequate.

Senator CANNON. Of course, we recognize that there is some point that you would get to the point of diminishing returns. But what that point is, I have no idea. But certainly, we have not approached anywhere near that now.

Mr. Host?

Mr. HOST. Senator, my big fear is that with the $5 million appropriated, all we're going to find is them trying to comply as best they can with the law and have a number of individuals in slots without there being any kind of overall effort to carry out the actual intent of the law, which of course, the coordinating council, in our opinion, is a very key part of it. If that is the case, I see us in worse shape at this point than we were even before the enactment of the act. That would be a tragedy.

I guess what I'm saying is I'd rather see nothing at all than to see the thing at $5 million. It's got to be at least $10, and really, that's not anywhere close to being enough.

Senator CANNON. That is one of the problems that we massaged last year and the year before when we were considering this matter, as you recall. The question of whether or not we were just going to be paying administrative costs or salaries for somebody in a particular job, rather than coming up with programs that would have some meaningful effect. And that's the thing that concerns me about this particular budgetary level here. We may find ourselves just paying people to fill certain jobs and not have any operating plan that permits them to carry out the responsibilities that we've said that they should carry out.

Thank you, Mr. Chairman.

Senator PRESSLER. Thank you. I have a few questions here. Let me say that I have joined with Senator Cannon in the matter of the visa waiver and we have visited with Senator Simpson. We have sent a letter with seven Senators signing it regarding that subject.

Norm, you said in your statement that the airlines are being told by the Federal Government to assume $440 million per year in customs and immigration inspection costs. This is being imposed as a user fee. How will that work out?

Mr. PHILION. We're not certain, Mr. Chairman, of all of the details. As I indicated while you were out of the hearing room, we

learned just yesterday of a proposal being circulated within the Government under which legislation would be sought authorizing the Secretary of Treasury, the Commissioner of Customs, and presumably, the Attorney General, the Commissioner of Immigration, and the Secretary of Agriculture, as well, to impose a whole series of new charges on the operators of aircraft, vessels, private automobiles crossing our borders with Mexico and Canada, and passengers, with the objective of recouping in the first year $440 million of customs costs alone. There would, of course, be additional costs for agriculture quarantine, and immigration.

So we're talking about a very large, almost uncomprehensible total amount of money.

In addition to that, one effect of the proposed legislation, as we understand it, would be to hang a sign on the United States saying, "closed 61 days a year." On Sundays and holidays there would be no inspection service at all at any port of entry, unless private parties, such as airlines and airline passengers, completely compensated the Government and paid overtime rates, very high, excessively high, overtime rates to customs and immigration inspectors.

Lastly, there would be a whole series of gimmicks, we understand—I hate to use the word, but I think it's an accurate one—gimmicks under which drawbacks of duty, duties paid for aircraft engines, whether they're coming in or moving out for repairs, whether U.S.-manufactured or foreign, for bonded liquor served on aircraft, for example, for each 100 percent of duty drawback refunded, the Customs Service would keep 2 or 3 percent, as a source of revenue to compensate them for the cost.

The effect would, of course, be to practically eliminate a budget for an agency such as the Customs Service. We look forward to seeing that proposal publicly exposed so that we can have an opportunity to discuss it with you in further detail.

Senator PRESSLER. John, the statistics you provided on the size of the lodging industry show that almost 30 percent of the accommodations available worldwide are located in the United States, 2.6 million rooms out of a total of 8.5 million worldwide. Is this concentration simply a sign of economic development or do American lodging firms face barriers to overseas expansions?

I'm thinking here of nontariff types of barriers.

Mr. LESURE. They face barriers to overseas expansion in terms of availability of site, availability of funds for construction. They face problems in various countries on recovering their investment, whether or not they're able to bring funds back to the United States representing their fees and profits.

So this would be the major restriction, the major reason why they have not expanded much more rapidly than they have.

Senator PRESSLER. Jim Host, you mentioned the issue of user fees. In what areas of the travel and tourism industry do you feel user fees are appropriate?

Mr. HOST. Well, I was referring primarily to national parks, Senator, and certainly, user fees are appropriate as it relates to national parks, providing that they not put an undue burden on the consumer that they affect.

I'm not prepared to address any other issue of user fees other than those that I discussed in my remarks.

Senator PRESSLER. Norm, I was just getting into your chart here when I was called away. Does it refer just to charters or are scheduled lines also included?

Mr. SHERLOCK. It's charters and tours with some scheduled service included. If we were to put in all the scheduled service and some of the other ingredients which are not in there, such as it does not count people travelling less than 100 miles, for instance, that would increase probably to somewhere around $10 billion. We're going to do a study second on this soon.

Senator PRESSLER. The $31 million total economic impact figure you supplied for South Dakota is very impressive. However, I noticed that South Dakota is still in the bottom 10 nationwide.

What should we be doing to try to maximize our revenue?

Mr. SHERLOCK. I would suggest that your States must become very active in their marketing efforts. We have created a national marketplace which meets annually, which provides the opportunity for States offices of tourism and entities within a State to come, sit down across from the bus operator himself, and try to generate travel to and from and within that State. It's a magnificent opportunity.

I think the other thing that must be done is to achieve a very large increase in the advertising budgets of the State offices of tourism. I would think that they must find ways and means whereby they can encourage people to come in by bus. Where there are States also who have rules and regulations that discriminate against bus transportation, that is an area of prime concern that should be attacked immediately. That would be in the area of mileage fees or franchises or various taxes which discourage people from coming in. Or maybe because of paperwork, they just don't want to go through the hassle of it.

Every State in the United States today is competing very hard for that dollar. Another letter which I didn't file, but which I can for the record, was a gentleman who wrote us from Wisconsin, pointing out that for every full loaded charter bus that stops in his community, in his State, the revenue realized is in the neighborhood of $2,500 to $3,500 a day. That's a lot of dollars to get and a lot of people want it. So your State must be very aggressive. In fact, it is.

Senator PRESSLER. Let me conclude, Norm, by saying that the figures on fuel efficiency, which appear to average about 160 passenger-miles-per-gallon for the bus industry, are very impressive, and I thank you for your excellent testimony.

Those are all the questions that I have. Senator Cannon, do you have further comments or questions?

Senator CANNON. That's all. Thank you very much.

Senator PRESSLER. I want to thank our witnesses. I think we have had a good start today. We will continue tomorrow at 9:30, and we may well end up using these hearings as a partial basis for the reauthorization legislation also.

Thank you very much.

[Whereupon, at 12:15 p.m., the hearing was adjourned.]

ECONOMIC IMPACT OF TOURISM

THURSDAY, FEBRUARY 25, 1982

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
SUBCOMMITTEE ON BUSINESS, TRADE, AND TOURISM,
Washington, D.C.

The subcommittee met at 9:42 a.m. in room 235 of the Russell Senate Office Building, Hon. Larry Pressler (chairman of the subcommittee) presiding.

OPENING STATEMENT BY SENATOR PRESSLER

Senator PRESSLER. Good morning. I call this meeting of the Subcommittee on Business, Trade, and Tourism to order.

Today's hearings are a continuation of testimony begun yesterday when we heard from a wide range of witnesses, including the noted futurist Herman Kahn. I feel that if we are able to build as strong a case today as was compiled yesterday we will have accomplished a great deal.

Unless anyone else has an opening comment to make—and I am going to call on Senator Cannon—I think we'll begin with Mr. Cord Hansen-Sturm of General Tours in New York City.

I should also mention that there are a couple of changes in today's witness list. Mr. Robert Juliano of the Hotel and Restaurant Employees and Bartenders Union will be unable to appear, and James Host of the National Tour Brokers Association appeared during yesterday's session.

I might add that we are also collecting information for the upcoming authorization process. We had a good chance yesterday with Peter McCoy to discuss that.

Before calling on our first witness, I will call on Senator Cannon.

OPENING STATEMENT BY SENATOR CANNON

Senator CANNON. Thank you very much, Mr. Chairman. An article that appeared in the Journal of Commerce last December characterized the economic prospects for the tourism industry in 1982 as a silver lining in an economy shrouded by recession. The Department of Commerce projects a total of 24.3 million foreign arrivals in the United States in 1982, which would represent an estimated travelers surplus of 1.3 million foreign tourists.

The Department also projects a $1.78 billion deficit in the U.S. international travel dollar account, however. People therefore do want to travel, and the United States continues to be a primary national destination.

In our free enterprise system, the major share of the tourism industry marketing effort is undertaken by the private sector. It has committed substantial resources to that effort, and everyone, I believe, would agree that the industry has done an excellent job.

Nevertheless, to be successful in the highly competitive international market, its effort must be supplemented by the Government. This is an undisputed fact, as evidenced by the national tourist offices which are maintained by nations throughout the world.

During these hearings we are hearing a good deal about the inadequate budget request by the Travel and Tourism Administration, and I believe the witnesses will find this subcommittee in agreement. The Government must do more than adequately fund the Travel and Tourism Administration, however, if it is effectively to assist the private sector.

For example, in some areas the Federal Government is uniquely qualified to gather the necessary data to assist the private sector and State and local governments to make decisions affecting the travel industry. The National Travel Survey conducted by the Bureau of the Census is one example. Yet, I understand this survey will not be undertaken in 1982 because of budgetary restraints.

While everyone recognizes the need for a tight Federal budget, is this a case of being pennywise and pound foolish in view of the jobs tourism creates and its contribution to the economy?

During this committee's national tourism policy study, we also found another area where Government efforts were inefficient and counterproductive to industry growth. In many cass agency programs were either contradictory or uncoordinated.

Despite our efforts over the years to encourage interagency cooperation and coordination, I believe we will hear testimony during these hearings that indicate the problem is far from solved. The willingness of the Government to come to grips with the legitimate needs and problems of the industry will only materialize when the decisionmakers realize how vital the industry is to the economic welfare of the Nation.

These hearings, I hope, will be an attention-getter in this regard.

Thank you, Mr. Chairman.

Senator PRESSLER. Thank you, Senator Cannon, and thank you very much for your support in these hearings. Your work in this area is well known, and I appreciate it.

I first call on Mr. Cord D. Hansen-Sturm. I have a letter from him indicating his interest in the foreign policy aspects of the matter.

If you would come forward, we would very much like to hear from you, especially in view of the President's speech on the Caribbean Basin which the staff tells me did not mention tourism. I was somewhat disappointed that it didn't in the sense that that is a major area of foreign exchange between ourselves and the Caribbean.

Mr. Hansen-Sturm is vice president of General Tours of New York City.

You may proceed for 10 minutes and we will have questions.

STATEMENT OF CORD D. HANSEN-STURM, VICE PRESIDENT, GENERAL TOURS, NEW YORK, N.Y.

Mr. HANSEN-STURM. Mr. Chairman, Senator Cannon, members of the staff: The subject of tourism and foreign policy is my topic this morning. My name is Cord Hansen-Sturm. I am a vice president of the First Family of Travel, a group of American tour operators and one of their member companies, General Tours.

I will speak about tourism today from a nation/state perspective and attempt to show important and vital relationships between the health of the tourism sector, which others have defined so well, and American foreign policy. My thesis is that it pays to look at the whole tourism pie internationally and to develop a coordinated national strategy as the best way to make that pie bigger.

I use several examples, from industrial democracies to less-developed countries and the Communist countries, to develop the theme that the U.S. Government's foreign policy apparatus is a major influence on the tourism industry, whether or not foreign policymakers understand the industry and act consciously to promote tourism.

Tourism is at the very heart of the successful foreign policy of democracies.

During the post-World War II Pax Americana, U.S. foreign policy emphasized the cultural and political aspects of international tourism and, more often than not, ignored its economics. In contrast, the rest of the world early on emphasized the economic benefits of tourism.

The industrial democracies of the OECD have built sophisticated national tourism plants characterized by close public and private sector cooperation. Everyone has heard of Japan Inc. There is also a Germany Inc., United Kingdom Inc., and France Inc., so far as tourism is concerned.

U.S. foreign trade policy has focused on developing and maintaining multilateral rules for the exchange of goods. A movement is underway in the services sector of the economy, with sympathetic leadership from the special trade representative, the Secretary of Commerce, and Members of Congress to provide the same national support for exports of services as for goods.

This is extraordinary news for the American foreign tourism industry which is the sleeping giant of the services sector. I am confident that the tourism industry will fully support services sector trade legislation such as the Service Industries Development Act, S. 1233.

Only by joining forces with the financial world and other services sector industries can tourism muster the clout for the multilateral reduction of trade barriers.

The United States has enormous potential tourism leverage for international negotiation which can be applied effectively only when more mature government and private cooperation exists than does now. Policymakers sometimes overlook the reality that the United States is only one nation in a world economy in which nation states as well as individual firms are important actors.

It is unfortunate that the Federal Government is dismantling its national tourism policy and foreign tourism marketing headquar-

ters. The National Tourism Policy Act decrees that Federal Government involvement in tourism be better coordinated. An Undersecretary of Commerce, heading a Travel and Tourism Administration with an Interagency Tourism Policy Council at his disposal, sounds at first like a more influential coordinator than an Assistant Secretary heading a travel service. But the Undersecretary in 1982 has a paltry $7.5 milion budget which is on the level of a deputy to an Assistant Secretary who commanded a $13 million budget several years ago. The USTTA in real terms is probably a step backward from the USTS—that is, until it receives adequate funding.

Fortunately, there are foreign policy options available even during this time of retrenchment that will greatly expand U.S. competitiveness in international tourism. Nonimmigrant visa waiver legislation, H.R. 4514, presently under consideration, will effectively promote the United States as a tourism destination while it saves the Federal Government money.

As a visa officer in the U.S. Embassy in Denmark in the 1960's, I know all too well the humiliation which is felt by Europeans who are forced to stand in out-of-the-way embassies in lines before American bureaucrats to prove their worthiness to do business in or vacation in the United States. Visas are disincentives to foreign travel to the United States.

An entry tax, which was discussed here yesterday, would also be a substantial disincentive and should be discouraged with vigor.

I'd like to now go on to the Caribbean Basin Initiative as my main example.

The Caribbean Basin Initiative announced yesterday by President Reagan illustrates better than any other single example the potential beneficial effects of foreign policy on tourism trends. This foreign policy crash program also illustrates a national propensity to ignore tourism as foreign policy.

Six months ago, the President submitted to Congress in preparation for this announcement yesterday the North American Trade Agreements Study which purports to analyze the basic economic relationships among North American countries including those in the Caribbean. It has been a major analytical building block for the administration's new policy toward the Caribbean Basin, which is supposed to encourage private enterprise in the region. The 97-page economic study treats tourism as an insignificant policy question in only seven lines, and does not even mention the United States' only tourism agreement with the Caribbean tourism power of Mexico. This selective economic vision which sees goods crossing borders but is blind to people is not new, however distressing it may be for the travel and tourism industry and for good policy.

The program announced yesterday still does not feature tourism. The President did not even mention it in his speech. The case for tourism is starkly simple. The U.S. Government for the first time in a century has made foreign policy towards the Caribbean Basin a major strategic priority. Political stability in the area is contingent on economic stability and growth. The United States has targeted most of the limited Government assistance on military and economic emergency support of regimes on the brink of collapse.

Private enterprise under these circumstances must help the majority of underdeveloped Caribbean island states lift themselves up by their economic bootstraps. They cannot do this without an economic engine to pull island economies into levels of development necessary for stability. Tourism is the only economic sector—I repeat, the only economic sector—with the potential to generate enough exports and internal demand to sustain the development of other less healthy economic sectors like agriculture and light industry. Tourism is a major industry for most of the Caribbean islands, the major industry of many, and has the greatest immediate expansion potential for the region. A regional economic development strategy which does not feature tourism is doomed to fail.

In case tourism is discovered in the last hour as the missing link to the Caribbean Basin Initiative, fortunately there exists a good tourism blueprint for the islands. A seven volume North American Demand Study for Caribbean Tourism has been prepared for the Caribbean island countries by Travel and Tourism Consultants International. A similar recent study was done of potential European travel to the Caribbean. The studies confirm that tourism can be used as the principal engine of economic development of the Caribbean islands. The studies suggest to the Caribbean island nations that they form a common market for tourism in order to more effectively market the region.

The United States is a Caribbean nation. Puerto Rico and the Virgin Islands already absorb the lion's share of travel to the area, and Florida is positioned on the Caribbean rim. It would make such good sense for the United States to encourage the formation and cooperate with a centralized Caribbean tourism organization in a common marketing effort to bring more Europeans, Canadians, Latin Americans, and Japanese along with Americans to the area.

We should emphasize cooperative marketing of the region in which we are the principal tourism recipient. The USTTA desperately needs an increase in its operating budget to be able to do this sort of thing.

The Caribbean Basin Initiative is costing the United States money. Mr. Chairman, you are quoted on this in today's Washington Post. I recommend that the cost of only one helicopter gunship that is now targeted for the Caribbean be allocated to the USTTA to make the entire program of the Caribbean Basin Initiative viable.

East-West tourism:

The main theme of this presentation so far has been that the United States, by not fully incorporating tourism policy into overall foreign policy, has lost opportunities to increase tourism exports. However, our Intra-West and North-South policy of benign neglect has not been destructive of tourism. The history of East-West tourism is a different story.

In the interest of time, I will not detail the impressive steps taken since President Eisenhower's initiative in 1955 to build bridges to Eastern Europe and other Communist countries, thus exposing them to our open society.

I will say that Presidents Eisenhower, Kennedy, Johnson, Nixon, and Ford all encouraged travel to the Soviet Union and Eastern Europe while combating Soviet foreign policy adventurism which

was as nefarious then as it is today. Americans in a very real sense followed their flag to Russia and Eastern Europe.

It is worth nothing that Yugoslavia, Hungary, and Poland were the first Communist countries to embrace foreign tourism, the first to offer their citizens significant freedom of travel abroad, and the first to take important steps in the direction of democratic pluralism.

Given this history of aggressive encouragement of travel and tourism between the Communist countries of Europe and the United States, President Carter's January 4, 1980 announcement of his intention to boycott travel of athletes and spectators to the 1980 Moscow Olympic Games came as a shock to the tourism industry. There was more than a 75 percent drop in American travel to the Soviet Union during the disastrous Olympic year of 1980.

Because of this trauma, all the major multimarket tour operators and several specialists abandoned the Soviet and Eastern Europe markets in 1981 and 1982. There has been a dramatic human cost behind such a drastic shift in tourism patterns. As most tour operators specializing in the Soviet Union and Eastern Europe are located in New York, unemployment has soared here for bilingual tour managers and other operations personnel.

The Carter administration reviewed and then quietly shelved requests from American tour operators and their industry group, the United States Tour Operators Association, for adjustment assistance which would allow those hurt badly to retool for other tourism markets. The same administration chose to pay billions of dollars to the American farm community to alleviate their domestic suffering caused from the grain embargo.

The dangerous precedent having been set to use tourism as a political weapon, it was easier for the next administration also to use travel denial as sanctions.

The U.S. Government during the Christmas holidays announced a ban on Polish airline flights as a signaling device, a public slap at Polish and Soviet leaders. The embargo was placed on people instead of grain because the administration fears that U.S. farmers supported by Congress will not tolerate further damage to agricultural exports.

I question the wisdom of using travel controls, the principal instrument of totalitarianism, to fight totalitarianism. For the second time since the travel boycott during the 1980 Olympics, the United States has been isolated by its NATO allies and forced to suffer the humiliation of having unsuccessfully attempted to persuade them—the industrial democracies—to restrict travel as a political weapon. Closing borders even partially to travel to Communist countries is a confusing signal to come from the world's leading democracy. The symbolism intended has again backfired.

Equally important, the policy is supportive of repression in Poland.

Something must be done soon so that these isolated experiments in travel denial as a political weapon do not become mainstream American foreign policy. The international travel and tourism infrastructure is a delicate mechanism and its tenuous extension to the Communist world is even more fragile. As a nation we cannot afford to destroy what we have taken so long to build.

I urge a resolution of Congress, a reaffirmation of an open borders tourism policy by the President. Some dramatic restatement of the Nation's commitment to open borders and free travel is urgently needed.

United Stated-China tourism relations, in contrast, are a model of effective foreign policy.

Europe, the Caribbean, China, as every other international example, illustrate the benefit of viewing the world from a national foreign policy perspective in which the tourism industry and Government cooperate in formulating and implementing the national interest. This perspective suggests that Federal policymakers look at tourism in its large sense—conscious of the great foreign policy value of the American foreign tourism network and American travelers abroad, and the relation of these assets to the huge untapped economic potential of foreign tourism exports from the United States.

thank you, Mr. Chairman.

Senator PRESSLER. I thank you very much for that thoughtful testimony because I think we need to put into better perspective the foreign policy implications of tourism. I can understand why most nations emphasize the economic aspects of tourism as opposed to the political aspects, but do you think our Government tends to ignore both the economic and political aspects?

I'm a great supporter of the President but I was sorry his speech yesterday didn't mention tourism. It is an important industry in that region.

Mr. HANSEN-STURM. Mr. Chairman, you are bringing up a very ticklish point. I serve on the ISAC 13, which is the Industry Sector Advisory Committee for the Services Sector which reports to the Secretary of Commerce. We formed a tourism working group in that committee specifically because of the Caribbean Basin Initiative.

Members of the tourism working group, including myself, have been trying to get the administration to give more emphasis to tourism in the Caribbean Basin Initiative since at least October of last year.

The response that we have received, when it hasn't been that, "Tourism is not my department; go somewhere else," is normally that, "Tourism, sure, it's important in the Caribbean, but it has survived under circumstances that have killed off practically every other form of trade, so therefore we are concentrating on other areas."

The position I have tried to make clear here is that tourism is the only hope for the Caribbean, that it offers enormous potential in that we, as a Caribbean nation, are the ones who would receive the greatest benefit from an effort to build up that region.

Senator PRESSLER. You make a connection between increased international tourism contacts with Yugoslavia, Hungary, and Poland, and the fact these nations all moved in the direction of democratic pluralism. Do you think anyone on the American foreign policy staff has been impressed with the use of tourism as a foreign policy tool with which to democratize societies?

Mr. HANSEN-STURM. Yes. In fact, President Eisenhower's initiative in 1955 was followed up by a series of cultural agreements.

The first one was negotiated in 1957 with the Russians, and then with other East European countries. Each one of these agreements contains article that both countries will encourage tourism.

And as I say in my written testimony, this initiative was followed by a series of consular agreements and other agreements designed specifically to open the borders of totalitarian countries to travel.

Senator PRESSLER. Thank you. I think your thoughts are very useful here in this review of tourism that we are doing. We are trying to bring into focus how important tourism is to our U.S. economy, and of course this morning you have pointed out how important it is in the Caribbean Basin. And we tend to overlook this contribution. And I think it was overlooked yesterday, but we are going to be working on that.

Senator Cannon.

Senator CANNON. No questions, Mr. Chairman.

Senator PRESSLER. Thank you very much.

Mr. HANSEN-STURM. Thank you.

Senator PRESSLER. Let me say to all witnesses that if you have additional thoughts we can put them into the record.

[The statement follows:]

STATEMENT OF CORD D. HANSEN-STURM, VICE PRESIDENT, GENERAL TOURS

TOURISM AND FOREIGN POLICY

Von Clausewitz in the past, and legions of present day foreign policy theoreticians, have preoccupied themselves with war as an extension of foreign policy. However, few foreign policy experts have developed the more useful idea that tourism is at the very heart of the successful foreign policy of democracies. The international tourism industry forms the basic infrastructure of peace. Educational, scientific, cultural, political and commercial exchange among nations takes place in proportion to the ability of the international tourism industry to provide transportation, lodging and sustenance for international travelers. Foreign policies impact on tourism trends, and even more importantly, changes in the tourism infrastructure alter foreign policies.

The international network of transportation routes, hotels, and restaurants, and its complex marketing and financial support system, make possible the movement of people across borders without which foreign policy as we know it would not exist. The principal elements of this world tourism network are also the principal symbols of international eminence of a nation; more visible and powerful in their effect on minds than are I.C.B.M.'s. Airline offices abroad with names such as Pan American, United, and Trans-World; the American Express offices; the Sheraton and Marriott hotel chains; Olson Tour Buses in Europe; the Hilton cruise ships on the Nile, the Visa card and Citibank travelers checks—to cite a few prominent examples—symbolize to world citizens each day the power and influence of our nation.

This overseas tourism industry network is a vastly underrated national resource which subtle but pervasive influence on international attitudes and behavior is ignored by balance of power theoreticians. If the Atlantic Alliance is important, America's tourism network linking the Atlantic states is more vital to our national security than neutron bombs ever could be.

International tourism gives expression to the core principle in the American ideology of the free flow of people and ideas across borders. The open society for travel is the antithesis of totalitarianism.

Not only is the tourism industry a principal vehicle for fulfilling our nation's other foreign policy objectives, tourism is a worthwhile economic end in itself. During the post World War II Pax Americana, United States' foreign policy emphasized the cultural and political aspects of international tourism and, more often than not, ignored its economics. In contrast, the rest of the world, having to rebuild itself from the destruction of world war, early on emphasized the economic benefits of tourism. Countries often attempted to insulate themselves from the political and cultural impact of the ubiquitous Americans abroad.

INTRA-WESTERN TOURISM

The other industrial democracies of the O.E.C.D. have built sophisticated national tourism plants characterized by close public and private sector cooperation. In Europe, tourism as foreign trade policy received early attention, with large public subsidies going to private and public enterprises, especially in air transportation. Sophisticated national marketing strategies funded in part by governments were directed at capturing the United States' market.

United States foreign trade policy has focused on developing and maintaining multilateral rules for the exchange of goods. A movement is underway in the services sector of the economy, with sympathetic leadership from the Special Trade Representative, the Secretary of Commerce, and members of Congress to provide the same national support for exports of services as for goods. This extraordinary news for the American foreign tourism industry which is the sleeping giant of the services sector. I am confident that the tourism industry will fully support services sector trade legislation such as The Service Industries Development Act (S. 1233). We in the tourism industry owe a large debt to the insurance and data processing industries for their pioneering role in publicizing common service sector foreign trade issues. Only by joining forces with the financial world and other services sector industries can tourism muster the clout for the mutilateral reduction of trade barriers. This is a medium to long range goal.

Today, bilateralism reigns supreme in international tourism as well as other service industries and foreign trade negotiators in the short and medium term have no choice but to concentrate the greatest effort on bilateralism and reciprocity in reducing foreign trade barriers to tourism.

The U.S. has enormous potential tourism leverage for international negotiation which can be applied effectively only when more mature government and private cooperation exists than does now. Other nations must perceive that the United States can and will trade access to its huge tourism economy for access to their tourism economies. The United States, being the largest market in any one-on-one bilateral negotiation, should have the upper hand; and it will when industry and government perceive a common interest.

However, the nation is undergoing a profound ideological reaction to its relatively weakened position in the international political economy. In the current enthusiasm for reducing government regulation and returning to the rules of the free market, policy makers sometimes overlook the reality that the United States is only one nation in a world economy in which nation states as well as individual firms are important actors. Unilateral deregulation of the airlines during a world recession and energy crisis has thrown the entire tourism industry into chaos. Other developed nations will not follow suit. They still treat their airlines as instruments of national prestige and power and the cutting edge of national foreign tourism programs. They are promoting their national carriers to gain advantage now that the United States has tied one hand behind its back in international civil air negotiations.

Equally unfortunate, at the same time that deregulation has weakened the entire tourism industry and reduced national leverage in civil air negotiations, the federal government is dismantling its national tourism policy and foreign tourism marketing headquarters. The National Tourism Policy Act decrees that federal government involvement in tourism be better coordinated. An Under-Secretary of Commerce heading a Travel and Tourism Administration with an interagency Tourism Policy Council at his disposal sounds at first like a more influential coordinator than an Assistant-Secretary heading a Travel Service. But the Under-Secretary in 1982 has a paltry $7½ million dollar budget which is on the level of a deputy to an Assistant-Secretary who commanded a $13 million dollar budget several years ago. The USTTA in real terms is probably a step backward from the USTS—until it receives adequate funding.

Fortunately, there are foreign policy options available even during this time of retrenchment that will greatly expand U.S. competitiveness in international tourism. Non-immigrant visa waiver legislation (H.R. 4514) presently under consideration will effectively promote the United States as a tourism destination while it saves the federal government money. The positive experience of the Western European industrial democracies for decades should be sufficient evidence of the wisdom of this painless step. As a visa officer in the U.S. Embassy in Denmark in the 1960's, I know all too well the humiliation which is felt by Europeans forced to stand in lines before American bureaucrats to prove their worthiness to do business in or vacation in the United States. Visas are disincentives to foreign travel in the United

States. Visa waiver legislation will add millions of dollars to American foreign tourism earnings.

To summarize, the United States needs to incorporate tourism policy more effectively into its overall foreign policy as a prerequisite for tapping the enormous remaining potential of international travel to the United States from the industrial democracies. The United States cannot expect other developed countries to voluntarily dismantle their profitable national tourism plants which compete as destinations with the United States. A significant change in United States' tourism industry and government attitudes in the direction of a national view must take place before the federal government becomes an effective coordinator and promoter of United States' tourism exports.

A CARIBBEAN BASIN TOURISM INITIATIVE

The Caribbean Basin Initiative illustrates, better than any other single example, the potential beneficial effects of foreign policy on tourism trends. This foreign policy crash program also illustrates a national propensity to ignore tourism as foreign policy.

The President submitted to Congress in August, 1981, the North American Trade Agreements Study which purports to analyze the basic economic relationships among North American countries including those in the Caribbean. Prepared by the United States Special Trade Representative, it has been a major analytical building block for the administration's new policy toward the Caribbean Basin. The 97-page economic study treats tourism as an insignificant policy question in only seven lines, and does not even mention United States' only tourism agreement with the Caribbean tourism power of Mexico. This selective economic vision which sees goods crossing borders but is blind to people is not new, however distressing it may be for the travel and tourism industry.

The United States government for the first time has made foreign policy towards the Caribbean Basin a major strategic priority. Political stability in the area is contingent on economic stability and growth. The United States has targeted most of limited government assistance on military and economic emergency support or regimes on the brink of collapse. Private enterprise under these circumstances must help the majority of under-developed Caribbean island states lift themselves up by their economic bootstraps. They cannot do this without an economic engine to pull island economies into levels of development necessary for stability. Tourism is the only economic sector with the potential to generate enough exports and internal demand to sustain the development of other less healthy economic sectors like agriculture and light industry. Tourism is a major industry for most of the Caribbean islands, the major industry of many, and has the greatest immediate expansion potential for the reigion.

The United States cannot afford to continue to ignore Caribbean tourism if it is serious about stimulating private enterprise-led economic development. Since October of last year, some representatives of the tourism industry have encouraged the leaders of the government's task force on the Caribbean Basin Initiative to treat tourism development as a critical and major part of the Initiative. The only response I have received is the argument that tourism is important, but it has managed to survive in the Caribbean under conditions which prevented other forms of trade, so the task force has not worried that much about it.

Survival is one thing, and flourishing growth is another—tourism to the Caribbean was stagnant last year. To my knowledge, tourism experts from the USITA and the Department of Transportation have not been effectively included in Caribbean Basin Initiative policy development, not even at the basic level of drawing a better economic map of the Caribbean than policy makers have been using.se lead

In case tourism is discovered in the last hour as the missing link to the Caribbean Basin initiative, fortunately there exists a good tourism blueprint for the Caribbean islands. A seven volume North American Demand Study for Caribbean tourism has been prepared for the Caribbean island countries by Travel and Tourism Consultants International. A similar recent study was done of potential European travel to the Caribbean. The studies confirm that tourism can be used as the principal engine of economic development of the Caribbean islands. The studies assume that there will be no significant U.S. policy changes and suggest to the Caribbean island nations that they form a common market for tourism in order to more effectively market the region.

The United States is a Caribbean nation. Puerto Rico and the Virgin Islands already absorb the lion's share of travel to the area and Florida is positioned on the Caribbean rim. It would make such good sense for the United States to cooperate

with a centralized Caribbean Tourism Organization in a common marketing effort to bring more Europeans, Canadians, Latin Americans and Japanese along with Americans to the area.

The United States Travel and Tourism Administration under its charter has been given only a limited mandate to think about vital foreign policy issues such as tourism-led economic growth in the Caribbean. However, the USTTA has a clear mandate to participate in a Caribbean tourism regional marketing program which promotes tourism also to the United States. The United States has a tourism agreement with Mexico which contains a clause on cooperative marketing. Why not negotiate an agreement with a group of Caribbean nations that emphasizes cooperative marketing of the region in which we are the principal tourism recipient? The USTTA desperately needs an increase in its operating budget to be able to do this sort of thing.

Many of the programs already announced as central to the Caribbean Basin initiative, such as investment treaties and liberalized tax arrangements, will benefit the tourism industry. What is needed is increased focus on tourism and leadership. Why not a Caribbean Basin Tourism Initiative?

EAST WEST TOURISM

The main theme of this presentation so far has been that the United States, by not fully incorporating tourism policy into overall foreign policy, has lost opportunities to increase tourism exports. However, our Intra-West and North-South policy of benign neglect has not been destructive of tourism. The history of East-West tourism is a different story.

The principal foreign policy objective of American tourism with the communist countries have been cultural and political. In 1955, American tour operators were encouraged by President Eisenhower's administration to "Build Bridges" to Eastern Europe. By 1957, the same administration negotiated an agreement with the Russians that both governments would encourage tourism. By 1958, the United States had opened the first American travel office in Moscow and the Soviet Union had reciprocated with a tourism information office in New York. Direct air service was initiated by national carriers in 1968, and in the 1970's the era of mass tourism had arrived with American charter flights touching down often in Moscow during peak season.

American and Soviet relations were severely strained in the 1960's and 1970's by the Berlin Wall Crisis, the Cuban Missile Crisis, the Vietnam War, the Soviet invasion of Czechoslovakia, and Angola. Nevertheless, Presidents Eisenhower, Kennedy, Johnson, Nixon and Ford all encouraged travel to the Soviet Union while combating Soviet foreign policy adventurism which was as nefarious then as it is today. The American public responded to leadership, and travel to the U.S.S.R. rose in most years in spite of the overall high level of political tension. Americans followed their flag to Russia.

In 1974, the United States government led a tourism mission to the U.S.S.R. of industry leaders. The nations created the U.S.-U.S.S.R. Tourism Committee which meets regularly in New York, Washington, and Moscow. To preserve hard won gains and to promote more Soviet outbound travel, the United States led the initiative to include cultural exchange and tourism in the Helsinki Accords signed in 1975 by 35 nations including the Soviet Union and ourselves. In 1976, the U.S. government proposed a bilateral tourism agreement seeking additional Soviet concessions to open their borders for more Russian travel to the United States. The Soviets linked further liberalization of tourism with overall trade liberalization, and negotiations lapsed. However, by 1978 American travel to the Soviet Union topped 100,000 passengers.

The same aggressive American foreign policy, operating from the greatest strengths of an open society, assaulted Stalin's wall around Eastern Europe. The White House encouraged the first U.S. tours which landed in Poland in 1955. A series of bilateral consular agreements, cultural exchange agreements and civil air agreements laid the basis for normalized tourism exchange between the United States and Eastern Europe.

The U.S. government did not anticipate the eagerness and dexterity with which Eastern European countries poured resources into tourism development to renew their ties with the West. A travel boom from Western Europe stimulated American hotel companies to build an Eastern European network of modern hotels of the highest international standards.

It is worth noting that Yugoslavia, Hungary, and Poland were the first communist countries to embrace foreign tourism, the first to offer their citizens significant

freedom of travel abroad, and the first to take important steps in the direction of democratic pluralism.

Given this history of aggressive encouragement of travel and tourism between the communist countries of Europe and the United States, President Carter's January 4, 1980 announcement of his intention boycott travel of athletes and spectators to the 1980 Moscow Olympic Games came as a shock to the tourism industry. Over a period of several months, the President of the United States, his senior aides and congress (in what can only be termed as a major media event) appealed to 100 governments and to the American public to stay away from Moscow to protest the Soviet Invasion of Afghanistan. The Carter administration did not actually deny passports to travelers, but this was an option seriously considered at the time and reported in the press along with the President's exhortations to stay home.

Travel companies were asked by the President's representatives to participate in a voluntary boycott by American business. On March 28, 1980, the Secretary of Commerce, at the direction of the President, barred transactions and payments associated with Olympic-related exports. This was never tested against a travel company, but it was an excellent deterrent, nevertheless. To companies and travelers conditioned by numerous public and private hints, it appeared at that time that a legal ban on travel was imminent. The bilateral cultural agreement with the Soviet Union lapsed at American initiative.

There was more than a 75 percent drop in American travel to the U.S.S.R. during the disasterous Olympic year of 1980. Pleasure travel declined even more than official and business travel so only a few thousand determined Americans took organized tours that year. Because of the 1980 trauma, almost all the major multimarket tour operators and several specialists abandoned the Soviet and Eastern Europe markets in 1981 and 1982. There has been a dramatic human cost behind such a drastic shift in tourism patterns. As most tour operators specializing in the Soviet Union and Eastern Europe are located in New York, unemployment has soared here for bi-lingual tour managers and other operations personnel.

The Carter administration reviewed and then quietly shelved requests from American tour operators and their industry group, The United States Tour Operators Association, for adjustment assistance which would allow those hurt badly to retool for other markets. The Carter administration chose to pay billions of dollars to the American farm community to alleviate the domestic suffering caused from the grain embargo. This raises a serious question of discrimination against an industry that was hardest hit by the same conscious foreign policy decision by a president to cut off trade as a political weapon. Tour operators who had been at their government's encouragement at the cutting edge of the policy of detente, overnight had to dismiss staffs and sell their companies.

The dangerous precedent having been set to use tourism as a political weapon, it was easier for the next administration also to use travel denial as sanctions.

The United States government during the Christmas holidays announced a ban on Polish airline flights as a signaling device, a public slap of Polish and Soviet leaders. The embargo was placed on people instead of grain because the administration fears that U.S. farmers supported by Congress will not tolerate further damage to agricultural exports. Soviet airplanes and cruise ships were included in the travel sanctions as a warning signal.

I question the wisdom of using travel controls, the principal instrument of totalitarianism, to fight totalitarianism. For the second time since the travel boycott during the 1980 Olympics, the United States has been isolated by its NATO allies and forced to suffer the humiliation of having unsuccessfully attempted to persuade them to restrict travel as a political weapon. Closing borders even partially to travel to communist countries is a confusing signal to come from the world's leading democracy. The symbolism intended has again backfired.

Equally important, the policy is supportive of repression in Poland. There were reports in 1981 that the Polish airline was losing money while subsidizing six flights a week to the United States so that Polish citizens could view democracy in action. If this is true, the U.S. ban on LOT flights actually provides economic support to the Polish military regime which the U.S. government wishes to punish. Sadly, since U.S. borders have been effectively closed to affordable air travel for Polish citizens, it is easier for Polish authorities to deny visas to their citizens in this period of economic as well as political crisis. The primary impact of sanctions will be to reduce Polish travel to the United States. The Soviet airline, in a similar fashion, carried mostly Soviet citizens because American tourists have been traveling on Scandinavian and West European airlines. Needless to say, American tour operators and the two American airlines which had applied to the CAB to reopen routes to the area

abandoned by Pan American will bear the financial brunt of the sanctions on the U.S. side.

Something must be done soon so that these isolated experiments in travel denial as a political weapon do not become mainstream American foreign policy. The international travel and tourism infrastructure is a delicate mechanism and its tenuous extension to the communist world is even more fragile. As a nation, we cannot afford to destroy what we have taken so long to build. A resolution of Congress, a reaffirmation of an open borders tourism policy by the President, some dramatic restatement of the nation's commitment to open borders and free travel is urgently needed.

U.S.-China tourism relations, in contrast, are a model of effective foreign policy. The Shanghai communique of 1972 declared that: "The effort to reduce tensions is served by efforts to improve communications between countries that have different ideologies so as to lessen the risks of confrontation through accident, miscalculation, or misunderstanding." This beginning has been followed by a well orchestrated succession of consular, civil air, and trade agreements which launched a American business and pleasure travel boom in China. The question facing foreign policy authorities and industry alike at this time is how to develop a stable tourism infrastructure which can ride out the inevitable fluctuations in political atmospherics. Chinese delegations seem to be everywhere in the United States nowadays, but it would be foolish to anticipate large numbers of pleasure tourists until China climbs higher on the ladder of economic development. In the meantime, the opportunity is large for U.S. hoteliers, airlines, tour operators, travel agents, credit card and travelers check companies and the producers of airplanes, hotel fixtures and equipment, reservations systems and other tourism infrastructure goods. Chinese hotels and souvenir shops sell Coca Cola and Kodak film to all foreign visitors. These are tourism related American exports.

China offers the same systemic problems to American businessmen as other centrally planned economies. The tourism and travel monopolies are using their centralized power as best they can to divide and rule among the many American and other foreign suppliers. So far, an informal cooperation between U.S foreign policy authorities and private industry has progressed the national interest. At some point, given the overall strategic importance of the U.S.-China relationship and the enormous potential for tourism and tourism infrastructure development, the United States might wish to negotiate a tourism agreement with China.

Europe, the Caribbean, China, as every other international example, illustrate the benefit of viewing the world from a national foreign policy perspective in which the tourism industry and government cooperate in formulating and implementing the national interest. This perspective suggests that federal policy makers look at tourism in its large sense—conscious of the great foreign policy value of the American foreign tourism network and American travelers abroad, and the relation of these assets to the huge untapped economic potential of foreign tourism exports from the United States.

[The following information was subsequently received for the record:]

GENERAL TOURS, INC.,
New York, N.Y., March 1, 1982.

Senator LARRY PRESSLER
The U.S. Senate, Washington, D.C.

DEAR SENATOR PRESSLER: Thank you for the opportunity of testifying to your Committee on relationships between tourism and foreign policy.

You asked for suggestions on Budget for the United States Travel & Tourism Administration. I recommend, given the hostile budgetary environment, that USTTA be budgeted in 1983 at $15 million. More is needed because of past neglect, but $15 million would allow the Undersecretary to put on the foreign policy hat at least for a few key issues.

Sincerely,

CORD D. HANSEN-STURM,
Vice President.

Senator PRESSLER. I shall now call two persons forward, Don Hawkins and John Hunt, from the George Washington University tourism program. Is it appropriate to hear the two of you together?

[Discussion off the record.]

Senator PRESSLER. John Hunt from the George Washington University Tourism Program.

STATEMENTS OF JOHN HUNT AND DON HAWKINS, GEORGE WASHINGTON UNIVERSITY TOURISM PROGRAM, WASHINGTON, D.C.

Mr. HUNT. Thank you. My name is John D. Hunt and I am a profesor of travel and tourism in the Department of Human Kinetics and Leisure Studies at the George Washington University here in Washington, D.C.

I apologize for my colleague this morning, knowing he returned late last night—he just walked in the door. He just returned last night from Egypt where he was the last of our team who had just completed putting on a 10-day workshop for the Ministry of Tourism and Civil Aviation.

I think it is interesting to note the Ministry of Tourism in Egypt comprises 1,400 employees, which is a far cry from the United States situation.

Would you like me to proceed, Senator?

Senator PRESSLER. Go ahead in whatever order you like.

Mr. HUNT. Although I have had the opportunity to work with members of this committee and its staff in the past, this is my first opportunity to testify before you. I consider it a distinct pleasure and honor.

At the outset, I would like to thank you, Mr. Chairman, Senator Cannon, and Senator Inouye, and other members of this committee and their staff who have played such a prominent role in elevating the importance of travel and tourism in the Federal Government. Through your efforts the importance of travel and tourism to both the economic and social well-being of our Nation has become increasingly understood. Likewise, you have helped us to recognize and concentrate our efforts on those key problems which must be solved if travel and tourism are to prosper in the best interest of the country, her citizens, and the industry which serves them.

In recent years, both the benefits and problems of travel and tourism have been well documented. It seems unnecessary to list them all here. Rather, I would prefer to briefly address only one issue, which I believe significantly deviates from the majority of testimony thus far given in this hearing, and I would like to explain to you what we at the George Washington University are attempting to do to assist in solving this particular problem.

In 1977, the national tourism policy study ascertainment phase report was presented to this committee. With the input of hundreds of industry representatives the study recognized 165 needs or problems confronting travel and tourism. Although the circumstances under which these needs were identified have changed many of the issues are still of critical importance. One such issue dealt with the need for a cadre of trained professionals with a long-term career commitment to travel and tourism. The ascertainment phase report noted:

> In spite of a prevalence of job opportunities in the industry for low-skilled or untrained workers, the tourism industry in the past has suffered from an inability to attract large numbers of talented individuals into permanent careers in the industry. A general lack of prestige for the industry (outside of the major corporations)

and an inadequate number of professional training programs at colleges, universities, and vocational schools around the country have contributed to this problem.

The lack of professional training in this area has lead to a lack of long-term professional commitment, a rather narrow and limiting perspective of travel and tourism, considerable job turnover, and probably a weakening of the overall credibility of the industrial and professional integrity of travel and tourism.

A rather simple example of the turnover problem can be seen in the fact that this year over 30 of the 50 States and six territorial tourism office directors are new. Before coming to George Washington University 5 months ago, I served nearly 15 years as director of the Institute of Outdoor Recreation and Tourism at Utah State University. During this time, I had the pleasure, albeit somewhat frustrating, to work with nine different directors of the Utah State Tourism Office.

The need for trained professionals in the travel industry is growing.

The George Washington University is attempting to meet this challenge. In the early 1970's several farsighted GW faculty saw the need for a program in travel and tourism and developed a graduate program in the department of human kinetics and leisure studies. In January of this year—just last month—a new undergraduate program in travel and tourism leading to a bachelor of science degree was approved.

The undergraduate program requires a student to complete satisfactorily 120 units of academic work. The course work draws upon the many courses offered at GWU and especially those which will prepare the student for an entry-level management position in travel and tourism. Professional courses in travel and tourism round out the undergraduate program.

Generally, a student will take a group of basic foundation courses. These constitute a group of GW courses which provides students with a background in social and natural sciences and communication skills. These are basic in the preparation of the educated person and the foundation for one to become a specialized professional.

Second, every student will be required to take courses in five travel and tourism components: tourists, transportation, attractions, services and facilities, and information direction. Completion of this body of study gives the student an introduction to the various functions or components in travel and tourism.

Third, students will take courses in planning, policy, and economic-social impact, which transverses the five component areas. These integrative courses will assist students in unifying and synthesizing of knowledge in the context of a holistic functionally related model of travel and tourism.

Fourth, a student will select one of six emphasis areas for specialized study: marketing and sales management, business administration, research and quantitative skills, communication management, public policy and administration, or urban, regional, and natural resource management.

Finally, each student will participate in a professional work experience or internship related to his or her specialized interest.

The graduate level builds upon the holistic undergraduate foundation by specialization in one or more of the system components and allied disciplines to provide alternative channels or tracks for students to concentrate in a specific aspect of the field.

We certainly hope our program will help meet some of the educational need of the travel and tourism industry. As the program develops, we look forward to receiving suggestions from you, from industry leaders, and from Government officials that will keep it current and effective.

I consider it an honor to have been asked to provide this statement to you.

Thank you very much.

[The statement follows:]

STATEMENT OF DR. JOHN D. HUNT, PROFESSOR OF TRAVEL AND TOURISM, DEPARTMENT OF HUMAN KINETICS AND LEISURE STUDIES, THE GEORGE WASHINGTON UNIVERSITY

Chairman Pressler and members of the committee. My name is John D. Hunt and I am a professor of travel and tourism in the Department of Human Kinectics and Leisure Studies at the George Washington University here in Washington, D.C.

Although I have had the opportunity to work with members of this committee and its staff in the past, this is my first opportunity to testify before you. I consider it a distinct pleasure and honor. At the outset, I would like to thank you, Mr. Chairman, and Senator Inouye, and other members of this committee and their staff who have played such a prominent role in elevating the importance of travel and tourism in the federal government. Through your efforts the importance of travel and tourism to both the economic and social well-being of our nation has become increasingly understood. Likewise, you have helped us to recognize and concentrate our efforts on those key problems which must be solved if travel and tourism are to prosper in the best interest of the country, her citizens and the industry which serves them.

In recent years, both the benefits and problems of travel and tourism have been well documented. It seems unnecesary to list them all here. Rather, I would prefer to briefly address only one issue and explain to you what we at the George Washington University are attempting to do to assist in solving it.

In 1977, the National Tourism Policy Study Ascertainment Phase report was presented to this committee. With the input of hundreds of industry representatives the study recognized 165 needs or problems confronting travel and tourism. Although the circumstances under which these needs were identified have changed many of the issues are still of critical importance. One such issue dealt with the need for a cadre of trained professionals with a long-term career commitment to travel and tourism. The Ascertainment Phase Report noted: "In spite of a prevalence of job opportunities in the industry for low-skilled or untrained workers, the tourism industry in the past has suffered from an inability to attract large numbers of talented individuals into permanent careers in the industry. A general lack of prestige for the industry (outside of the major corporations) and an inadequate number of professional training programs at colleges, universities, and vocational schools around the country have contributed to this problem.

The lack of professional training in this area has lead to a lack of long-term professional commitment, a rather narrow and limiting perceptive of travel and tourism, considerable job turnover, and, probably, a weakening of the overall credibility of the industrial and professional integrity of travel and tourism. A rather simple example of the turn-over problem can be seen in the fact that this year over 30 of the 50 state tourism offices have new directors. Granted, these positions have become highly politicized, thus contributing to some of the turn-over. However, many state directors lack a long-term commitment to the industry and are easily persuaded to take jobs in other industries. Before coming to George Washington University five months ago I served nearly 15 years as Director of the Institute of Outdoor Recreation and Tourism at Utah State University. During this time, I had the pleasure, albeit somewhat frustrating, to work with nine different directors of the Utah State Travel Council.

The need for trained professionals in the travel and tourism industry is growing. Unfortunately, few universities have responded to this need. This stems, in part, from the negative connotations associated with travel and tourism and the percep-

tion that the field lacks a substantive body of teachable knowledge and theory. Granted, in the past there has been a lack of theoretical and scholarly attention paid to tourism. However, in recent years numerous textbooks and several respectable scholarly journals have been published. Travel and tourism has reached a point of importance in our social and economic structure deserving of attention by the university community.

The George Washington University is attempting to meet this challenge. In the early 1970's several far-sighted GW faculty saw the need for a program in travel and tourism and developed a graduate program in the Department of Human Kinetics and Leisure Studies. In January of this year a new undergraduate program in travel and tourism leading to a bachelor of science degree was approved. It is the new undergraduate program that is highlighted here.

Three basic issues guided the planning of the new program. First, the travel industry is complex, fragmented, and diverse, with a functional interrelatedness. Second, travel and tourism in an emerging discipline with a rapidly growing and changing empirical research base. Finally, travel and tourism is an applied field of study founded upon a broad liberal arts background where balance between knowledge and skill is essential to success.

Recognizing these issues the George Washington University's Travel and Tourism Program has been developed on a set of fundamental principles. These are:

1. A holistic understanding of this complicated field is required including the totality of touristic activities, i.e., economic, social, cultural, environmental, political, technological, and physical aspects.
2. The graduate of the travel and tourism program must be a broadly educated person with knowledge skills, and awareness required by all educated people with a professional specialization in travel and tourism.
3. The program is designed so the graduate can secure an entry level position leading toward leadership and managerial roles in the travel industry.
4. The travel and tourism program is based on a theoretical model which is dynamic, comprehensive, easily understood, practical, and unifying. As student learning progresses, the model must provide a foundation around which the student can organize and synthesize knowledge and skills in this complex field of study.
5. The theoretical model shall be organized to permit evaluation processes allowing for constant program renewal and research.

Academic training in travel and tourism should be founded upon a philosophy or understanding of the field that is broad and all-encompassing. Travel and tourism should be treated in the context of a complete functional system. Essentially, this involves a holistic approach to tourism which recognizes that it is made up of numerous parts, components, or functions which are interrelated. Unfortunately, much of the planning, development, and management of tourism has been highly fragmented or extremely narrow. This fragmentation has resulted in various negative impacts, poor development, special interest conflicts and less than optimum economic and/or social benefits.

The fact that tourism either directly or indirectly touches the lives of everyone increases the responsibility of the tourism educator. A leadership cadre is required which has a liberal education supplemented with a broad professional understanding of tourism. While the nature of problems and opportunities in tourism are highly varied, any education program which does not consider all functions in tourism will be simplistic and ineffective in providing well educated and skilled professionals. Thus it becomes important that a higher education program at both the undergraduate and graduate level be developed around a holistic tourism model or system. The model of tourism used to developed the GWU program recognizes five highly interrelated components: tourists, transportation, information-direction, attractions, and services-facilities. Each component is extemely complex but highly related to all the others. It is the complexity of each of the components and their interrelatedness that runs through the George Washington University Travel and Tourism Program.

The undergraduate program requires a student to complete satisfactorily 120 units of academic work. The course work draws upon the many courses offered at GWU and especially those which will prepare the student for an entry level management position in travel and tourism. Professional courses in travel and tourism round out the undergraduate program. Generally, a student will take the following:

1. Basic Foundation Courses.—These requirements constitute a group of GWU courses which provides a student with a background in social and natural sciences and communication skills. These are basic in the preparation of the educated person

and the foundation for one to become a specialized professional. They will aid in understanding the milieu in which travel and tourism exists. (60 credits)

2. Electives.—Apart from the required courses a student has free choice in taking a select number of electives from GWU's broad range of courses. Students will be counseled to take electives which strengthen fundamental knowledge and awareness leading to professional specialization. (12-15 credits)

3. Component Course Requirement-Professional Courses in Travel and Tourism.—Every student will be required to take courses in the five travel and tourism components: tourists, transportation, attractions, services-facilities, and information-direction. Completion of this body of study gives the student an introduction to the various functions or components in travel and tourism. (21 credits)

4. Integration Course Requirements—Professional Courses in Travel and Tourism.—Students will take courses in planning, policy, and economic-social impact which transverses the five component areas. These integrative courses will, 1) assist students in unifying and synthesizing of knowledge in the context of a holistic functionally related model of travel and tourism and 2) help students apply information presented in professinal travel and tourism courses. (9 credits)

5. Emphasis Area Requirements (Restrictive Electives).—A student will select one of the following six for specialized study: 1. Marketing and Sales Management; 2. Business Administration; 3. Research and Quantitative Skills; 4. Communication Management; 5. Public Policy and Administration; and 6. Urban, Regional, and Natural Resource Management. These areas will help the student concentrate in a career interest, i.e., in sales, business management, research, written and verbal communication and advertising, public tourism administration, or ecological management. (12 credits)

6. Practicum Requirement—Professional Work Experience.—Each student will participate in a professional work experience or internship related to his or her specialized interest. This experience will provide the opportunity to apply knowledge and skill acquired in the program. Each student will participate in an internship seminar where "on-the-job" situations are discussed. The seminar will emphasize the application and synthesis of the student's knowledge base using the GWU travel and tourism model as a backdrop. (3–6 credits)

The graduate level builds upon the holistic undergraduate foundation by specialization in one or more of the system components and allied disciplines. Although all levels of training must provide enough flexibility to allow the student the opportunity to build some depth in a particular aspect of tourism, the graduate program provides alternative channels or tracks for students to concentrate in a specific aspect of the field.

We hope our program will help meet some of the educational need of the travel and tourism industry. As the program develops we look forward to receiving suggestions from industry leaders that will keep it current and effective. Thank you for the opportunity to present this information.

[The following information was subsequently received for the record:]

Dr. JOHN D. HUNT,
Professor, Coordinator, Travel and Tourism Program, The George Washington University, Human Kinetics and Leisure Studies, Washington, D.C.

Question. Because of the budget, I understand that the Bureau of the Census will not conduct its quinquennial National Travel Survey. In the past this survey has, I believe, provided valuable decision making information for the industry.

(A) Can you give specific examples of how the industry will be adversely affected by lack of this information?

Answer. Frankly, I have had very little experience with the "National Travel Survey." Until recently I lived in a state (Utah) which had its own extensive and current travel data system. The State Survey collected data annually on a year-round basis for one or more of the key travel modes. Each mode was examined at least every third year with data-based estimates made in the intervening years. The State Survey provided considerable more detail than was possible to obtain from the National Travel Survey. However, Utah was more fortunate than most states which must rely either on data from the National Travel Survey or the U.S. Travel Data Center. In the case of the Data Center, a good amount of its base information is derived from the National Travel Survey and supplemented by periodic surveys for updating. It seems safe to say that curtailment of the National Travel Survey will significantly affect the ability of the Data Center to provide information to at least two-thirds of the states, numerous cities and counties and several travel corpora-

tions. Independent of the U.S. Travel Data Center, the National Travel Survey was probably the sole source of origin and destination and visitor volume data for many states and cities. These data have been important for designing marketing strategies and promotional efforts for many of these areas.

Question. Yesterday, Secretary McCoy discussed three of the problems facing the industry. That is: the declining rate of growth in travel industry employment; seasonal concentration of travel demand; and the insufficiency of valid economic data. What are your views?

Answer. The Secretary's observations appear to be correct, and backed by reasonably current and accurate data.

The declining rate of growth in travel industry employment is to be expected under the prevailing economic conditions. Travel and tourism is highly elastic and is among the first industries to suffer under deteriorating economic conditions. In recent years it has been argued that travel and tourism is no longer a luxury or an extra but rather a necessity of American life. Such an argument is nonsense. When the going gets tough, personal travel and tourism is among the first things to go. During tough times Americans postpone vacations, travel closer to home, curtail business travel, eat more at home, and generally, spend their leisure time in inexpensive activities. At the same time they must eat, work, heat their homes, and carry on with non-leisure activities at near normal rates. Thus, one would simply expect that economic activity and employment growth would decline proportionately greater in travel and tourism than in other areas. Travel and tourism is a child of prosperity. Assuming our economy will eventually turn around and begin to grow again, the Secretary's assumption that the employment growth "situation should prove to be temporary . . ." will be correct. However, as long as general economic conditions are poor, one can expect the travel and tourism industry to suffer.

Seasonality has always been a key problem of the travel and tourism industry and will continue to be so in the future. There are two reasons for this situation. First, the traditional school system which the Secretary addressed extensively in his remarks, generally has vacation during June, July and August of each year. Secondly, June, July, and August are simply the best months to vacation and travel in most of the United States. While it is believed that June, July and August were originally chosen as vacation time for students so they could help with agricultural chores, I imagine, if given a choice, most modern-day youngsters would choose the summer months for a vacation. In actuality, the shoulder seasons (spring and fall) have shown improvement in recent years as the number of families with school age children has declined.

Likewise, winter, with new recreational activities of growing popularity, has seen increased recreation and travel activity. However, in the final analysis, I believe the Secretary's desire to work with the school systems in this country to modify traditional schedules is a commendable gesture toward reducing the impact of seasonability on the travel and tourism industry.

The quality and quantity of data on domestic travel and tourism has probably never been better. The research community in general and specifically the U.S. Travel Data Center have made great strides in improving the travel and tourism data base in recent years. However, the decision of the Bureau of the Census to discontinue the National Travel Survey may recede, if not halt, the recent improvements in domestic travel information.

With the exception of the special in-country market surveys conducted by the U.S. Travel and Tourism Administration the quantity and quality of international travel and tourism data is deplorable. USTTA could well expend some of its limited funds to improving the international travel data base.

Question. I understand that last year state travel offices spent a combined total of $136 million on travel promotion. Of that amount, only 2.6 percent was spent on overseas promotion.

(A) Doesn't this suggest that most state travel offices have small promotion budgets; and that most of the small amounts they do have is spent in neighboring state markets?

(B) Since states must spend their limited promotional dollars where their largest markets are located (usually neighboring states) how realistic is it to expect them to respond with $ to a catalytic effort by the Federal Government to promote their state or region overseas?

Answer. Ask any state travel director if he/she has enough money and they will tell you "No". However, it is interesting to play various numbers games. Presently, states invest nearly twice as much in domestic tourism as does the federal government in international tourism. The states spend $1 for $1,300 of domestic receipts while the Feds spend $1 for $2,300 of receipts in international expenditures. Rela-

tively speaking the states seem to have fairly large budgets for what they do. In the international arena, the states spend 70 percent as much as the Feds. By adding only one more percent of their budgets to international travel promotion the states would be matching the 1983 federal effort.

Granted, states get the lion's share of their visitation from neighboring states. It is a general rule-of-thumb in marketing that you should expend the majority of your effort in existing markets rather than trying to develop new markets. However, a marketing strategy should not be set in concrete and should be sensitive to emerging markets. When a heretofore small or stable market begins to show growth there may be merit in placing increased effort in the area. In the last couple of years, the international market has grown proportionately greater than any other market in many states. States have expressed an increased interest in international visitors. With help from the Federal Government they may increase their international promotion efforts. However, they cannot be expected to bear the total cost of such a program. Likewise, an uncoordinated effort could be chaotic and ineffective. It would seem that through a matching grant program by the U.S. Travel and Tourism Administration could increase the effectiveness of a United States international promotion program significantly beyond what the states or federal government could do independently.

Senator PRESSLER. We will now hear your testimony, Don.

Mr. HAWKINS. Thank you, Senator.

Mr. Chairman, distinguished members, my name is Don Hawkins, and I am also a professor at the George Washington University. My involvements with both the private sector and academic community have led me to study the relationship betwen domestic and international tourism and the development of federally controlled resource-based attractions and historic/cultural sites, such as those contained in the national park system.

My comments today will deal with ways in which, using as one example, the national park system, you can stimulate economic growth through tourism and travel associated with these unique attractions.

The national park system has increased its participation twofold in the past 15 years—to 300 million in 1980—with an economic impact estimated in excess of $25 billion.

While the future is bright indeed for tourism's potential growth and expansion through the national park system, planning will play an increasingly important role. The United States needs to overcome the problems that have beset some countries' most popular tourist areas. Dr. Hunt and I recently visited Egypt and saw many of the problems we are beginning to face here—for example, overcrowding, environmental degradation of the resource, negative perceptions by residents toward tourists, domestic or foreign, which often result in inhospitable or discourteous service. Alternative methods need to be explored which insure a balance between the conservation/preservation policy goals of the national parks system and similar resources to the growing needs of our domestic and foreign tourists.

Tourism industry leaders in the private and public sector are initiating cooperative efforts to insure this balance through such means as promoting and publicizing lesser known or underutilized parks, increasing off-season use of popular parks and other destination attractions, and promoting a combination of tours of the more popular parks with those that are lesser known. Such tandem tour packaging might evolve from, among other attractions, geographic proximity, thematic relationship, such as ethnic, historical, cultural, or recreational purposes, such as fishing and skiing.

All such cooperative efforts are designed to attract domestic and foreign visitors to the rich historic and cultural resources, mountains, deserts, seashores, and forested areas and man-made attractions of the 50 States throughout the four seasons.

As I look at our problem, Senator, I think we have essentially a marketing problem. We have a product that is underutilized in the main, and that part of the product, the more popular parks, are being threatened, both internally and externally, from overuse.

We have noted recently the GAO report which has called for almost $1.2 billion expenditures just for the basics—sanitation, health, fire code, and safety requirements.

Externally, in and around the parks, being in the natural resource areas, we have extensive efforts designed to developing energy resources, which often creates threats to the national parks.

Russell Dickenson Director of the National Park Service cited the problems he is facing in terms of the national parks being "islands within a sea of change." There were hearings in the House of Representatives recently in dealing with the question of parks which I would recommend for this committee to hear.

Also, in terms of marketing, we are not promoting properly. Success will depend upon the capability of the private sector to market our most popular national park destinations in the fall, winter and spring, and to take the pressure off the popular parks during the summer by offering the lesser known but comparable parks, historic and cultural sites during the summer vacation season.

I have given you as an exhibit a list of some nine travel-class national park sites.

Of the nine, Wrangell-St. Elias National Park in Alaska, Mammoth Cave National Park in Kentucky, and Olympic National Park in Washington are relatively little known and underutilized.

I would recommend additional efforts to improve the national park system and other natural resource attractions through better coordination within the Federal Government.

On balance, the data have shown that the economic impact of the tourists use of outdoor recreation resources appears favorable; the social impact, significant but manageable; and the physical impact, manageable.

In order to do this, we need to develop comprehensive planning for tourists' use of outdoor recreation resources involving both the public and private sectors which should include effective intergovernmental coordination with recreation resource management agencies.

The National Park Service has taken a major step in the right direction by forming the Travel Industry Working Group. Cooperative projects involving the private sector are now underway and are detailed in exhibit B of my testimony. Some of those projects are quite extensive: reservation systems, travel information, use patterns, projecting travel to the national parks, facilitation for foreign visitors, access systems, and user fees.

At the George Washington University, one of the things we are trying to do is take on the old U.S. Travel Service's feature file service. We would develop with photographs and feature stories relative to the national parks. In fact, we hope to have a group come to South Dakota from Minnesota, leaving the Pipestone National

Monument and going through the Badlands National Park, Wind Cave National Park, Jewel Cave National Monument, Mount Rushmore, and then on to Devil's Tower in Wyoming.

So there are many possibilities at the present time for cooperation between the resource base agencies and the U.S. Travel and Tourism Administration through integrating their marketing efforts with the private sector.

In conclusion, Mr. Chairman, the United States is experiencing considerable underutilization of its historic, cultural, and natural resources in lesser known destinations.

We have a marketing problem that can be overcome through intergovernmental coordination and cooperation with the private sector, which can be stimulated by the U.S. Travel and Tourism Administration under the mandate of the Tourism Policy Act.

Thank you, sir.

[The statement follows:]

STATEMENT OF DONALD E. HAWKINS, PROFESSOR, TRAVEL AND TOURISM PROGRAM, DEPARTMENT OF HUMAN KINETICS AND LEISURE STUDIES, THE GEORGE WASHINGTON UNIVERSITY

Mr. Chairman, distinguished members, my name is Donald E. Hawkins and I am a Professor at The George Washington University, where I coordinate travel and tourism studies at the undergraduate and graduate levels. My involvements with the private sector and academic community have lead me to study the relationship between domestic and international tourism and the development of federally controlled resource-based attractions and historic/cultural sites, such as those contained in the National Park System.

Many of the 24 million foreigners who visited America last year were attracted, to a great extent, by the well publicized scenic wonders in popular national parks, and by well known historic and cultural attractions.

In the National Park Service system, visits more than doubled in the past 15 years—to 300 million in 1980—with an economic impact estimated in excess of $25 billion.

This explosive growth is accelerating to the point where tourism and leisure related industries are "number one" in a majority of states, and ranked second or third in almost all the rest.

While the future is bright indeed for tourism's potential growth and expansion, planning will play an increasingly important role. The United States needs to avoid the problems that have beset some countries' most popular tourist areas—overcrowding, environmental degradation of the resource, negative perceptions by residents toward tourists (domestic or foreign) resulting in inhospitable or discourteous service. Alternative methods need to be explored which insure a balance between conservation/preservation of our National Parks while continuing to meet the growing needs of our domestic and foreign tourists.

Tourism industry leaders in the private and public sector are initiating cooperative efforts to insure this balance through such means as promoting and publicizing lesser known or underutilized parks, increasing off peak season use of popular parks and other destination attractions, and promoting a combination of tours of the more popular parks with those that are lesser known, as well as other regional/state/local parks and other public and private tourist attractions. Such tandem tour packaging might evolve from, among others, geographic proximity, thematic relationship (e.g., ethnic, historical, cultural) or recreational purpose (e.g., fishing, skiing). All such cooperative efforts are designed to attract domestic and foreign visitors to the rich historic and cultural resources, mountains, deserts, seashores and forested areas and man made attractions of the 50 states throughout the four seasons.

I would propose encouraging cooperative ventures between travel and tourism leaders and the public sector. The travel industry will benefit through an expanded repertoire of destinations to offer visitors; cities and states will reap additional needed revenues, through taxes; local communities can improve their economic status; and the popular National Parks will continue to be utilized.

But the success will depend upon the capability of the private sector to market our most popular National Park destinations in the fall-winter and spring, and to

take the pressure off the popular parks during *the summer by offering the lesser* known—but comparable—parks, historic and cultural sites during the summer vacation season.

Hundreds of scenic attractions, theme parks, and cultural and historic landmarks throughout the country are little-known outside the local area. They have much to offer America's domestic and foreign visitors, visitors who will in turn bring new economic vitality to the community.

Each year the National Park Service and Parks Canada jointly conduct a month long International Seminar on National Parks and Equivalent Reserves. The seminar included sessions on National Parks for thirty five selected professional parks personnel from many countries around the globe. This year the National Park Service surveyed the seminar participants in an attempt to elicit comments and suggestions for improving international visitor experiences in our parks. The following are summary highlights of the survey which may be of interest to this committee.

While 96 percent of the participants agreed that NPS publications would be useable by international visitors, publications are not accessible in less developed countries. The major source of information about U.S. parks are tourist agents. Most participants felt that publications printed in their own languages would be extremely helpful; particularly publications which provide basic information such as park regulations, transportation, clothing needs, safety and housing.

Of the interpretive programs in the parks the participants ranked audiovisual programs, self-guided tours and conducted walks as the most attractive features, while wildlife and flora observation, scenic views and trails were ranked highest of the natural features in parks. Visitor centers, overnight facilities and food services were ranked high in amenities.

Finally, recommendations were offered based on the survey, a few of which may be of interest to this committee.

More brochures containing basic information about regulations, transportation, housing and safety need to be printed in foreign languages; particularly in French, German, Japanese and Spanish.

A general people oriented film about parks is badly needed. This film could be dubbed in several languages and shown on television or in USTA offices or sites around the world.

Attached to this testimony is a list of the World Heritage Conservation U.S. sites, which indicate that of nine sites, three are not well known—i.e., Wrangell-Mammoth St. Elias National Park, Alaska, Cave National Park, Kentucky, and Olympic National Park, Washington.

Further, I would recommend additional efforts to improve the National Park System and other natural resource attractions under federal control for domestic and international tourism.

If the dynamic change in the last two decades of the 20th century follow the pattern of the late 1970's, a planning process will be necessary which allows for sustained updating of resource management processes.

The data have shown, on balance, that the economic impact of tourist use of outdoor recreation resources appears favorable; the social impact, insignificant; and the physical impact, manageable. Therefore, it is recommended that the U.S. Government adopt the objective of increasing tourism at outdoor recreation destinations. The following recommendations relate to this objective.

First, comprehensive planning for tourists' use of outdoor recreation resources should involve the public and private sectors and should include effective intergovernmental coordination with recreation resource management agencies. Efforts of the National Park Service to form a Travel Industry Working Group is a step in the right direction. Cooperative projects involving the private sector are now underway and are detailed in Exhibit B.

Second, tourism projects and plans should be updated annually, with enough flexibility built into the planning process to alter projects if there are drastic changes in the social, political, or economic environments (such as the energy situation). The updates should be based on a system of feedback involving both program users (i.e., international and U.S. resident visitors to the outdoor recreation areas) and representatives from all specialized areas which contribute to aspects of outdoor recreation (i.e. managers, forest rangers, environmentalists, land use planners, wildlife biologists, sociologists, and others).

Third, surveys at outdoor recreation sites should be programmed on a recurring basis and administered in Spanish, German, French and Japanese, as well as English. Survey formats should be made more extensive and their administration more sophisticated. Marketing studies should be directed toward: (a) international tourists to the U.S. who do not participate in outdoor recreation, and (b) international tour-

ists to other countries who participate in outdoor recreation in countries other than the United States. Using information from these surveys, promotion abroad should focus on specific outdoor recreation sites as primary travel destinations, using underutilized and lesser known parks whenever possible.

Fourth, in developing these resources, dominant features should receive emphasis to help define the sites and develop a site image.

Fifth, resource "carrying capacity" should be observed and demand distributed through the National Park system to avoid over use.

Sixth, more interpretive and multilingual information programs should be instituted at historical and recreational sites.

Seventh, economic incentives to owners of private land with outdoor recreation potential should be reviewed to ensure that sufficient land will be set aside for recreation. Eventually, the U.S. should adopt national land-use zoning.

Eighth, outdoor recreation sites most visited should be prepared to handle the dramatic increase in foreign tourists (e.g., provision of language facilities in Spanish, Japanese, German and French).

Ninth, development of additional facilities and land should be geared to relatively simple activities, such as sightseeing, nature walks, hiking, and swimming. More extensive facilities—such as campgrounds and lodges—should be located outside of the park areas by the private sector. Where campgrounds and similar facilities are operated by the National Parks, user fees charges should be comparable to those charged in the private sector.

In conclusion, Mr. Chairman, the United States is experiencing considerable underutilization of its historic, cultural, and natural resources in lesser known destinations.

We have a marketing problem that can be overcome through intergovernmental coordination and cooperation with the private sector, which can be stimulated by the United States Travel and Tourism Administration, under the mandate of the Tourism Policy Act.

EXHIBIT 1

WORLD HERITAGE CONVENTION

United States World Heritage Sites

Site/State and date of inscription:

Yellowstone National Park, Wyoming, Idaho, Montana—September 6, 1978.
Mesa Verde National Park, Colorado—September 6, 1978.
Independence Hall, Pennsylvania—October 24, 1979.
Everglades National Park, Florida—October 24, 1979.
Grand Canyon National Park, Arizona—October 24, 1979.
Wrangell-St. Elias National Park, Alaska [1]—October 24, 1979.
Redwood National Park, California—September 2, 1980.
Mammoth Cave National Park, Kentucky [1]—October 27, 1981.
Olympic National Park, Washington [1]—October 27, 1981.

EXHIBIT 2

U.S. DEPARTMENT OF THE INTERIOR,
NATIONAL PARK SERVICE,
Washington, D.C., January 29, 1982.

Memorandum

To: Members of the Travel Industry Working Group, National Park Service Directorate, National Park Service Regional Directors and Service Center Directors.
From: Special Assistant to the Director, Priscilla Baker.
Subject: Status of new travel, tourism and recreation industry liaison program, including descriptions of projects underway and proposed.
Reply Due: February 26, 1982.

The material that follows contains a review of the National Park Service's new travel, tourism and recreation industry liaison effort and descriptions of the cooperative projects that have been undertaken or are under discussion as a result of this effort.

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[1] Relatively lesser known than the others, or most recently inscribed on the World Heritage List.

Please review this material and provide your comments to me at your early convenience but no later than February 26, 1982.

Director Dickenson and I agreed last summer that an ongoing program of travel, tourism and recreation industry liaison could prove helpful to the National Park Service in many different ways.

In a memo he sent to me, dated June 12, 1981, Director Dickenson stated that "the National Park Service and the tavel and tourism industry have important linkages in common and share important responsibilities to the public. Each of us has as a client the traveling public. Each of us makes decisions and takes actions which affect the other. Coordinated, our actions can build a better experience for the public and better organizational strengths for each of us."

"We are faced," Director Dickenson continued, "with trends and areas of mutual concern which would benefit from a dialogue and perhaps development of joint proposals for action. These trends and concerns include: the increase in foreign visitation and its accompanying increase in different visitor services; the increase in travel by tour groups and its impact upon both park overnight facilities and energy consumption; the need for visitor services to be as cost effective as possible and organized in such a way as to make it easy for the traveling public to make plans ahead of time; and the need to spread out visitation pressure spots and seasons.

He said, further that, ". . . the focus of all our efforts (should) be to find ways to ensure that the natural, historic and recreational resources of the National Park System be sustained and nurtured in ways which leave them healthy for the future. If we can develop this general good health in facilities, in services and in natural processes and systems we will all succeed."

The Director established our new travel, tourism and recreational industry liaison function within his immediate office with me as its sole staff initially. My function reports to him, directly, for all purposes. I look upon this new activity as a catalytic function, designed to bring together existing expertise, wherever it may be found within the National Park Service and wherever it may be offered from the private sector, to resolve problems that relate to the quality of the experience of park visitors and prospective park visitors.

The goals of the effort, generally, have been as follows:

1. To establish recognized channels of communication between interested industry groups and the National Park Service;
2. To develop public/private sector projects designed to meet needs of park visitors—and prospective park visitors; and
3. To exchange information and expertise for the benefit of all interest parties.

As a first step, I met individually with key staff people for the major travel industry associations and such public sector organizations as the National Council of State Travel Directors. From this series of discussions, I developed what has become known as a "Travel Industry Working Group" comprised of representatives of the Air Transport Association, The American Automobile Association, the American Bus Association, the American Car Rental Association, American Express, the American Hotel & Motel Association, the American Recreation Coalition, the American Ski Federation, the American Society of Travel Agents, American Youth Hostels, Inc., the Conference of National Park Concessioners, the National Campground Owners Association, the National Council of Travel Attractions, the National Restaurant Association, the National Tour Brokers Association, Partners for Livable Places, the Ticketron Division of Control Data Corporation, the Travel Industry Association of America, the United Bus Owners of America, the U.S. Travel Data Center, the Economic Policy Development Division of the Wilderness Society and such public sector organizations as the Visa Office of the State Department's Bureau of Consular Affairs, the Congressional Research Service of the Library of Congress, the Congressional Tourism Caucus, the National Council of Area and Regional Travel Organizations, the National Council of State Travel Directors, the National Park System Advisory Board, the National Park Foundation, the National Railroad Passenger Corporation (Amtrak), the U.S. Customs Service of the Department of the Treasury, the United States Travel and Tourism Administration of the U.S. Department of Commerce, the National Council of State Travel Directors, the National Council of Urban Tourism Organizations and, of course, the National Park Service.

In consultation with the Director, I developed a working paper listing problem areas that the National Park Service discussed with the Travel Industry Working Group at its first meeting on Septemer 9, 1981. The paper was distributed in advance of the meeting. These areas of concern it described were:

1. Reservation Systems.—Does it make sense to try to develop a reservations system that would integrate visitor service facilities operated by concessioners within parks with those in communities outside parks' boundaries? What technology could be used? What have been the experiences of airlines and hotels with their reservations systems? What might the costs be? Who should pick up the costs?

2. Travel Information.—The Office of Management and Budget, Executive Office of the President, has imposed a moratorium on printing among Federal agencies. Accordingly, it will not be possible for the National Park Service to develop new publications to meet the needs of prospective park visitors, travel agents, tour brokers, state travel offices and others. However, information produced within Federal agencies is in the public domain and may be reproduced by others for distribution at no cost or even for profit. Are there publishers that might be interested in working with the National Park Service to assure dissemination of travel information?

3. Use Patterns.—Some of the national parks tend to be very crowded for a few months of the year and virtually deserted in others. Others of the parks remain less well known and even under-visited. How may we encourage marketing people in industry to target new and different parks and/or, where appropriate, to disperse travel to certain parks over more months a year?

4. Projecting Travel to the National Parks.—Although we realize that many variables affect travel—to the parks or to any other destination—still, it would be helpful to us to be able to anticipate, even generally, whether a given park may expect substantial numbers of foreign visitors (and if so, from which countries), senior citizens, disabled persons or others with special needs. Is there a way to estimate such travel in advance?

5. Foreign Visitors.—What are the special needs of foreign visitors? How do hotels, restaurants, rental car companies and others in the private sector or in public sector travel-related organizations anticipate and meet these needs?

6. Access Systems.—Are there access problems associated with travel to the national parks, problems that could be addressed by the National Park Service at little or no cost?

7. User Fees.—Should fees charged park visitors for specialized services, such as the use of campgrounds, be priced in such a way as to reflect the costs of providing those services?

8. Overnight Accommodations.—Presently, rooms in facilities within the boundaries of the most popular parks are reserved in blocks far in advance of the heavy visitor season. Individual travellers and their travel agents have complained that it is virtually impossible to get a room reservation at the more attractive hotels and lodges. The Park Service may require that a certain percentage of available rooms be set aside for reservation by individuals and, if so, what percentage would be reasonable?

9. General.—What other steps ought the National Park Service be taking to facilitate travel to the national parks and to assure visitors of a most enjoyable, educational experience?

In addition to these areas of concern, Director Dickenson has requested that the new industry liaison effort also work to develop cooperative programs between Canada, the United States and Mexico on North American parks; encourage active National Park Service participation in local, state, regional and national travel organizations and boards; and explore the use of existing National Park Service functions to coordinate federal agency and private sector work on development of recreation policy and research and economic analysis needs.

Initially, however, the Travel Industry Working Group has been the focus of the effort; and the areas of concern listed and described, in brief, above have been the focus of the work of that group.

Some specific project proposals designed to resolve problems suggested in our working paper on areas of concern were proposed at the Travel Industry Working Group's September 1981 meeting. Others were developed subsequently in private meetings with individual industry associations. All of these were the subject of a second meeting of the Travel Industry Working Group held December 15, 1981. Still more project proposals are under consideration or under development as a result of that second meeting.

The industry groups that have participated in our discussions have made it clear that in order to affect industry marketing strategies and, in so doing, to affect travel to the national parks, the National Park Service must disseminate more and better information to the travel industry and, through the industry, to prospective park visitors. Accordingly, the areas of concern relating to park use patterns and visitor information services have been combined.

The offers of private sector sponsorship for joint private sector/National Park Service projects have been overwhelming in terms of the amounts of money, staff time and care that have been committed to meet the needs of the public for better informtion and service. Certainly, as the public is helped so also are the goal of the National Park Service and of the travel, tourism and recreation industries benefited. Where there is public/private sector cooperation, everybody wins!

Following is a list of the projects that have been undertaken jointly or that are under discussion. Individual projects are described under heading that relate to the areas of concern that have provided the framework for our travel, tourism and recreation industry liaison effort.

1. USE PATTERNS AND TRAVEL INFORMATION

A. The National Park Service, the U.S. Travel and Tourism Administration, Dr. Donald Hawkins of the George Washington University and the National Campground Owners Association and members of the American Recreation Coalition are cooperating on a project through which a group of journalism students from George Washington University will travel to less well known parks during the summer of 1982 in vehicles to be provided by the Recreation Vehicle Manufacturers Association. The students will write articles about the parks they visit. The articles will be checked for accuracy by the National Park Service which then will distribute them to American publications. The articles will be provided to the U.S. Travel and Tourism Administration for translation and distribution abroad. The students will receive college credit for their work. The National Park Service will propose suitable park destinations for this "Feature File" project.

B. Through the good offices of the International Snowmobile Industry Association and the American Recreation Coalition, the Webb Publishing Company of Minnesota (publishers of Snow Goer magazine and four of the major airlines' in-flight magazines) has agreed to produce a major feature on winter activities in the national parks. This special, four-color section, to appear in the September 1982 issue of Snow Goer magazine, will be reprinted as an information piece to be made available through the National Park Service at no cost to the Service or to prospective park visitors. Although the special section will include information about any and all winter-oriented recreation opportunities in national park areas, some parks will be emphasized in the text and through photographs. Work already is underway to prepare the specialized coverage of the parks to be featured. Working with the Editor and the Publisher of Snow Goer, our industry liaison office will survey Park Service regions to collect current information about all activities appropriate to be included in the publication. Director Dickenson of the National Park Service has met with the Editor and Publisher of Snow Goer and Derrick Crandall, President of the American Recreation Coalition, to discuss plans for the project.

C. Traditionally, each Federal land managing agency has produced public information materials that pertain exclusively to the recreation areas, parks and other attractions managed by that agency. And yet, the public travels by geographical area, not by Federal agency. As part of its new travel, tourism and recreation industry liaison effort, the National Park Service has taken the initiative to bring together in one place information about destinations available from all of the Federal land managing agencies. We have not yet found organization to collate and publish this information.

D. The National Tour Brokers Association is paying for the production of nearly a million copies of a new map of the United States showing the national parks, major American cities, highways and distances between major points. Copies will be made available to the National Park Service for distribution within the United States and to the U.S. Travel and Tourism Administration of the U.S. Department of Commerce for distribution through its field offices abroad. The National Park Service has provided updated information to the National Tour Brokers Association for this project.

E. The Travel Industry Association of America and the National Council of Travel Attractions will produce a series of three four-color brochures designed to assist the public and private sector organizations represented on the Travel Industry Working Group to disseminate needed information about the national parks and other attractions. One brochure would describe the natural national parks. Another would concentrate on the cultural/historical national parks. The third would deal with privately-managed attractions. Sage Advertising Company of Billings, Montana has drafted layouts for these new publications.

F. A filmmaker has offered to seek corporate sponsorship of at least one film about the national park system. Although the National Park Service would retain

strict control, the filmmaker would seek private sector funding, produce and distribute the film and provide copies to the National Park Service at no cost to the Service. The Travel Industry Working Group has been unanimous in suggesting that a general, people-oriented film be produced.

G. National Park Service staff from the Office of Public Affairs are assembling sets of slides to be used by industry groups and by the U.S. Travel and Tourism Administration as part of our joint effort to disseminate current information about the national parks. Live copy to accompany the slides will be prepared by our industry liaison staff. Initially, two slide shows will be produced: One on less well known parks and one on American Inidana-oriented parks.

H. The Travel Industry Working Group has discussed the need to arrange familiarization tours for travel writers, travel agents and others in a position to encourage non-peak-season visits to the more popular parks and travel to the less well known parks at appropriate time of the year. National Park Service staff are in the process of contacting the Superintendents of all of the parks listed in the brochure "Lesser Known Areas of the National Park System" to determine which parks can accept additional visitation and still protect the resources for which they were established.

I. Members of the Travel Industry Working Group have suggested that private sector funding be found to produce radio and television public service announcements designed to help to meet goals described above.

J. The U.S. Travel and Tourism Administration has requested direct National Park Service involvement in the four major marketing meetings held in foreign countries each year. If financial arrangements can be worked out and required permission obtained from the Secretary of the Interior to travel abroad, we would plan to cooperate with the U.S. Travel and Tourism Administration in these sessions. Our participation would be helpful to that agency in its effort to provide travel industry trade representatives abroad with up-to-date information about the 330 destinations managed by the National Park Service. Participation would make it possible for the National Park Service to disseminate information in such a way as to change park use patterns where desirable and to collect information about the experiences of foreign visitors in our national parks—information that could prove useful to our interpretive and planning staffs, especially.

II. RESERVATIONS SYSTEMS

Associations represented in the Travel Industry Working Group have been very helpful in providing information to National Park Service staff involved in discussions about whether and how to set about encouraging private sector development of a comprehensive reservation system. Such a system could include in its inventory hotel/motel accommodations within and outside of parks' boundaries and campsites within and outside of the parks. The Air Transport Association, for example, provided a briefing to National Park Service staff on reservations systems used by airlines.

Research will continue with hotel/motel systems. The Park Service now has issued a formal invitation to any and all interested parties to bid to be selected as the "official" coordinator of reservations for the National Park System. Copies of this "Request for Proposals" have been sent to the members of the Travel Industry Working Group.

III. DATA COLLECTION AND ANALYSIS

One of the areas of concern presented to the Travel Industry Working Group at its first meeting, in September 1981 was that the National Park Service now has no way to project use of individual national parks, either in terms of numbers of visitors or in terms of the demographic characteristics of visitors. Based on discussions of the Travel Industry Working Group in plenary session and meetings held with individual members of that group whose responsibilities include travel industry data collection and analysis, it would appear that the industry has not developed a reliable methodology to use to project travel either. The reaons for that undoubtedly are related to the experience of past years. Unanticipated variables so often have affected anticipated travel patterns that it has proved to be all but impossible even to predict the variables let alone the travel patterns of coming years.

The National Park Service now uses different methodologies in different parks to collect data relating to absolute numbers of visitors for recreation and non-recreation purposes and to overnight stays in individual parks. Different methodologies must be used because the physical characteristics of the parks differ. Some parks have entrance stations from which data easily can be collected. Others do not.

Park staffs who collect the data are not trained statisticians. Nor have they had training in survey work that would help them to appreciate the importance of administering a survey precisely in the way the sample has been drawn and on a timely basis.

Accordingly, based on a general review of our own data collection and analysis techniques, it would appear that the data we now obtain may be only marginally useful.

Discussions are continuing with the Park Service's own Statistical Branch and with members of the Travel Industry Working Group. We expect to develop recommendations to help the Park Service strengthen this area of activity in order that our planning staffs, interpretive staffs, administrative staffs and others may have better information on which to base their work for the future.

IV. SPECIAL NEEDS OF NON-ENGLISH-SPEAKING VISITORS (FOREIGN AND AMERICAN)

Field staff of the National Park Service, especially, long have been concerned that communications are difficult with non-English-speaking visitors to the national parks. These visitors not only find it difficult to obtain all of the information they need to understand the parks' resources, but also they experience safety problems more frequently than do English-speaking visitors.

The Travel Industry Working Group discussed this matter. The sense of the meeting was that the answer to this communications problem is known: as positions and funds are available, we must seek to hire bi- and even tri-lingual interpreters and we must translate more of our printed information into foreign languages.

The Travel Industry Working Group felt that the most pressing problem facing individual travellers from abroad as they reach our shores relates to currency exchange. Members of the group suggested that the American Express Company and Chambers of Commerce ought to be involved in efforts to resolve the problem. Since currency exchange relates to responsibilities of the Treasury and Commerce Departments, this concern of the Travel Industry Working Group has been passed along to those Departments at the Federal level of government.

V. OTHER AREAS OF CONCERN

A. Tour Escort Training

At the Travel Industry Working Group's meeting of September 1981, Bill Carpenter of Tauck Tours in Connecticut, Treasurer of the National Tour Brokers Association, requested the National Park Service to provide assistance in training private sector tour escorts and guides who lead groups through the national parks. Director Dickenson of the National Park Service indicated that we would help in any way possible.

Shortly thereafter, I met with the Park Service's Chiefs of Trainings and of Interpretation to determine what materials and expertise we might be able to contribute to such an undertaking.

Subsequently, Bill Carpenter, representatives of the National Park Foundation and I met again to try further to refine our thinking. Bill will take the lead in seeing to it that private sector organizations that use tour escorts and guides are surveyed to determine their needs for training as related to the national parks. Based on the information obtained through a survey, we shall work together to develop a program designed to meet the needs, as indicated by the survey results. The National Park Foundation will consider serving as the coordinator for a joint training effort.

B. Planning for Tourism-related Development

When the Travel Industry Working Group met in December 1981, Dr. Donald Hawkins of the George Washington University and National Campground Owners Association expressed the thought that communities adjacent to national parks should be helped to anticipate and plan for development related to increased tourism. Representatives of the Wilderness Society's economic policy unit and the Partners of Livable Places have expressed an interest in being involved in such an effort. A Subcommittee of the Travel Industry Working Group will be formed to consider how to proceed to develop this concept.

C. Comprehensive Review of Visitor Services

Some Park Service officials have discussed the desirability of conducting a comprehensive survey to determine the quality and quantity of services and information available to park visitors. Such a "State of the Visitor" survey would include some trend analysis. It would, if initiated, benefit from private-sector involvement, i.e.

evaluation of visitor services by travel, tourism and recreation industry representatives whose experiences has involved privately-operated attractions as well as areas managed by Federal, state and local agencies of government.

These, then are the project proposals that have been developed thus far as part of our new travel, tourism and recreation industry liaison effort. Others will be forthcoming if the experience of the recent past is any indication of what the future may hold.

If there is any single accomplishment of this effort that is worthy of special note, it is that we have demonstrated the benefits to be derived from public sector/private sector cooperation in resolving problems of mutual concern. The fact that the Federal Government never has had the best answers to all questions has been known by the majority of the American public for years. Ask any waitress, any elevator operator. We of the Federal establishment do have certain responsibilities, information and, in the case of the Department of the Interior, territory to which the public at large may or may not have access. We of the National Park Service have a body of park management experience based on 65 years of the work of thousands of people. The travel, tourism and recreation industries have experience and talents not found within our agency. The two sets of resources and expertise, when melded in cooperative projects, already have begun to produce a new and unique professional electricity. We shall continue to build on this for the future.

Please let me have your comments and suggestions about any aspect of this work.

[The following information was subsequently received for the record:]

THE GEORGE WASHINGTON UNIVERSITY,
Washington, D.C., March 2, 1982.

Hon. LARRY PRESSLER,
411 Russell Senate Office Building,
Washington, D.C.

DEAR SENATOR PRESSLER: Thank you for the opportunity to present testimony at the recent hearing of the Commerce, Science and Transportation Committee. With respect to the several questions you asked me to respond to following the hearing, here are my replies:

Question 1. What is the cost of the Quinquennial National Travel Survey?

Answer. In my opinion, the survey can be conducted at substantially less cost in the private sector. I am in the process of obtaining more specific costs; however, I believe it would be possible to do this study within the range of $750,000 to $1,000,000. This assumes that the survey questions will be cut to the bare minimum needed by travel marketing personnel in the private sector. Further, it also would allow for origin-destination data so that each state will be able to ascertain its share of the domestic and international tourism market. With respect to the Bureau of the Census deciding not to conduct the Quinquennial National Travel Survey, I believe that the industry could be mobilized to support the survey if public government agencies would match their efforts, and further, that the survey would be conducted by a reasonable private sector firm or consortia of organizations. However, it may be too late to keep the original time frame work for the Quinquennial Survey.

Although the Quinquennial National Travel Survey is important, it is my contention that travel marketing requires a more current analyses of travel trends and behavior, preferably on a monthly basis, but certainly on a quarterly basis each year. The aggregation of these data can provide the necessary information to government policy formulation. It may be better to move in this direction rather than the Quinquennial Survey, which usually provides more of a basis for retrospective analyses, rather than repsonse to emerging markets and business opportunities.

Question 2. Promotional efforts of U.S. Travel Tourism Administration requiring more than advertising.

Answer. In my opinion, advertising is only one of the four parts of an effective marketing promotion effort. First, and most important, is the product itself. In the United States, the tourism product is excellent for the domestic visitors, but needs considerable improvement in terms of facilitating the tourism experience for the foreign visitor. The second component of a marketing promotion plan deals with the effective utilization of distribution channels. In this respect, the United States, public and private sectors are quite effective. The third component is pricing. In the U.S., the price is still right; in fact, many of our destinations offer bargain rates compared to destinations of similar quality and appeal. The fourth component of marketing promotion is advertising. In my opinion, our advertising is often cost-effective, lacking direct response evaluation. Further, the advertising dollar will need to be more realistically pro-rated to domestic/international promotion. In the do-

mestic area, we are doing an excellent job. In the foreign markets, we need to do a better job.

Overall, our advertising, distribution channel resources, and pricing are in good order. Major emphasis needs to be placed on developing and improving the product, matching it to the specific domestic and international segments who are willing to spend the time and money to enjoy the travel/tourism experience.

3. With respect to your request for estimates for a budget appropriation for the USTTA, I would propose the following: USTTA would receive a basic appropriation of $15 million prorated approximately one-third for the overseas promotion offices, one third for international tourism marketing program; and one third for coordination of governmental efforts on behalf of tourism coordination and policy development.

Thank you for the opportunity to respond to these questions.

Sincerely,

DONALD E. HAWKINS, *Professor.*

Senator PRESSLER. Don, let me ask you a question first. The question came up yesterday about how user fees should be structured in the national park system. In your view, should these fees reflect a fixed portion of the cost of maintaining the system? Also, should citizens and noncitizens be required to pay the same rate?

Mr. HAWKINS. Secretary Watt, as you know, has issued a major policy pronouncement where user fees are expected to be priced at a level where they are not anticompetitive with the private sector. For example, in the campground industry, we have an average annual campground fee of $8.75. The highest fee in the National Park Service is $6. Although they have somewhere between a 50-percent increase to a 150-percent increase, the price is still substantially lower than comparable facilities in the private sector.

So my view point is, (a) where we do operate specific facilities and charge user fees, they should reflect the actual cost of operating those facilities, and (b) we need legislation, Senator, so that those funds can be recycled back into the facility to maintain the basic standard of quality service, and (c) concerning decisions about new development, I would recommend that these revenue producing facilities located outside of the park system used to further stimulate economic growth within these areas.

With regard to the last part of your question, whether there should be differential pricing between foreign and domestic visitors, I don't think this would be the right way to go. Our national parks belong to the international heritage, and I don't think we'd like to see that kind of differential pricing.

However, I think we could get into differential pricing to deal with the problems of seasonality—in other words, price lower in order to attract the visitors in the off-season, putting shoulders on those peak seasons.

Senator PRESSLER. Dr. Hunt, in your written statement you say the lack of trained professionals in the tourism industry stems in part from the negative connotations associated with travel and tourism. Would you expand on this comment? I have been trying to determine for some time why we have such a difficult time gaining a high priority for tourism in the Federal Government.

Mr. HUNT. I think we can get extremely philosophical about this particular subject going back to the Protestant work ethic. And I don't think there's a great deal of empirical data to prove or disprove the reasons, but there seems to be a tendency in this country that if you make your living by the sweat of your brow you are

putting in an honest day's work. If you make a living by providing services and accepting money from people who are engaged in leisure, sometimes it is not considered legitimate.

I think partially, though, the problem stems from the fact that tourism as we know it today in this country is relatively young. It is a post-World War II phenomenon, mass tourism. And I think in its youth it still is evolving into a phenomenon, an industrial phenomenon, that is perceived to be legitimate.

I think those two things—we have been feeling our way for some years, and we have a problem in the university of developing academic programs, of having a body of knowledge and theory to support teaching such programs. And I think it is basically an evolutionary problem and with time it will be recognized as a legitimate professional area.

Senator PRESSLER. My final question: Describe your program at George Washington. What sort of positions do your graduates find? Also, I know you have internships. What sorts of positions are the internships in, and do you have an estimate of the number of trained professionals that will be required by the year 2000?

I guess you can both take a crack at those questions.

Mr. HUNT. Well, I'll answer the last question first with "No." We don't have an estimate, although the labor statistics we have seen indicate that projections into the 1990's suggest that travel-related jobs will probably grow at a greater rate than other types of employment in the country.

Of course, we perceive most of our students heading for mid-management and top-management positions eventually, given their background.

So to answer your last question first, no, we don't have an estimated figure, but all the data that are available suggest that the area will grow at a rate greater than other areas.

The internships—of course, we are eager to place students in any aspect of the travel and tourism field. We do have students working with various consulting firms in the District—travel agencies, airlines—various segments of the travel industry. We are always in the market for other interns, and we certainly would welcome the opportunity to have some of our students come up and work with you and the committee sometime. We have one, I hope, that is going to go over to USTTA and give it a hand in the next few months in a research project.

As far as the type of jobs that we see the students going into, the industry is made up of many, many segments. And I see a good many of our students going to work for the private sector in every area from the airlines, travel agencies, hotels, to the Government sector. The States, of course, all have travel offices. The counties and cities have various kinds of travel programs that I think could use trained professionals.

Likewise, about a third to a half of our students, are from other nations. Most of those students are associated with ministries of travel and tourism and anticipate going back and working in their own countries.

Mr. HAWKINS. I will just add several comments.

First, the major problem the tourism industry faces in the United States is a human resource development program. Where

do we find the hundreds of thousands of service workers to man kitchens and to provide the array of services needed in this field?

This is a matter of training at the high school, the post-secondary levels and community colleges, and we are beginning to look at the training of the human resource development personnel as part of our function, as well as training university professors from other countries.

I didn't get a chance to tell John this, but it looks like we may have as many as 15 trainees coming here for a year under the Peace Fellowships from Egypt, most of whom represent human resource development trainers within the tourism industry, as well as professors from several training institutions in Egypt.

Also, we have tried to parallel our training efforts with those of industries within the tour field, of course, seeking to gain certification.

For example, we have cooperated very closely with the Institute of Certified Travel Agents, ICTA. They provide the CTC certification. It is possible for the student to get the CTC basic certification requirements, with exception of the experience, at the university.

We have done the same thing with the hotel sales management executives program. We are also encouraging the Travel Industry Association of America to form a certification program for travel officials operating at the State, the regional, and the local level, mainly in public or quasi-public or trade association kinds of activities.

We have talked also with National Tour Brokers Association to consider a certification programs in their area.

So we have tried to parallel, if you will, our service and professional requirements by working very closely with trade associations. Most of the trade associations today are moving toward professional certification.

Senator PRESSLER. Thank you.

Senator Cannon.

Senator CANNON. Thank you, Mr. Chairman.

How big is your department? What do you have at the university now?

Mr. HUNT. In the way of students we have about 35 to 40 who are in the master's degree program which is the older program.

The undergraduate program we are really just getting on line. It will start in September of this coming year.

There are probably 10 or 15 undergraduate students at GW who are bootlegging programs through another department with a concentration in travel and tourism, and those students will move over into the degree program in the department in the fall.

Last, there are probably half a dozen doctoral students who are working, again through other departments, building concentrations in travel and tourism.

So I would say in total right now we are dealing with 50 to 60 students, but we do anticipate a rather energetic recruiting program. It is our feeling from talking to local community colleges and others around the country there is a latent demand for the program, and now that it is offered we will probably see significant increases in student enrollment.

Senator CANNON. We are told that the Bureau of Census is not going to conduct its national travel survey because of budgetary problems. Could you give us your assessment as to how you think that would impact on the industry—either one of you?

Mr. HAWKINS. I'd be happy to comment on that. I have worked with the U.S. Travel Data Center who have been producing a monthly travel survey and at the same time trying to influence the Census to duplicate its previous effort. We are going to lose, Senator, very, very valuable time series data if we don't go ahead with that, as seems to be the case now.

The only possibility I see would be to try to expand the Travel Data Center survey with private sector support and possibly some public support so we keep that effort ongoing.

Marketing professionals need data. I think it would be a catastrophe if we discontinue these competent data collection activities. This is just another example of Government considering that travel and tourism is not essential: We faced this problem in alleviation of energy reserves. The travel and tourism industry is at the bottom of the heap in terms of priorities in the Census.

Senator CANNON. If the cost of that were picked up by private industry, what would that amount to? Do you have any idea?

Mr. HAWKINS. If we could get basic origin-destination data, which would provide information at the State level, I think there would be a lot of interest in supporting that in the public and in the private sector.

I would say a respectable study by phone interviews and using the model developed by the U.S. Travel Data Center could probably be done for $800,000 to $1 million.

Senator CANNON. Of course, there's a difference in having a private industry effort, and having an official Government agency doing that sort of thing. I guess it lends more weight to it if an official Government agency, such as the Census Bureau, comes out with that type of information.

Mr. HAWKINS. One of the problems we have is that when Government agencies who are funding the study sit down and say, "I am putting in so much and I want this number of questions," and so on, you get a very unwieldly and lengthy survey. I think we can do a much more streamlined survey to keep the necessary time series going—and I think we can do it more cost effectively.

We could be more responsive to the needs of the private sector. The marketing people I'm talking to want information on a current basis, not every 5 years.

Senator CANNON. We were told yesterday, and I'm sure you are aware of the fact, that the Government expects that private industry will come in and pick up the bill for these efforts that need to be carried out. It is my understanding that last year the combined total on travel promotion for State travel promotions was only $136 million, and of that amount only 2.6 percent was spent on overseas promotion.

Is it realistic to assume that the States or localities whatever it may be, will come in and pick up the effort that was being made by the Federal Government in this area?

Mr. HUNT. Well, I think that the $136 million we are talking about is the State contribution to travel and tourism.

Senator CANNON. Yes.

Mr. HUNT. We all know it's basically a domestic effort and a small amount directed to international travel. I do think the States, particularly if there were some effort in a matching fund program, would reorient some of their efforts to the international scene. I believe in just the last 2 years they have really begun to recognize the significance of international travel, yet in the past their bread and butter has been domestic travel and still is.

But in the studies I had the pleasure of doing the last 10 or 15 years in Utah, the relative increase in international visitation compared to old traditional markets is quite significant. You can see the interest of States—at least I could see the interest of that State heightening significantly in regard to the international visitors.

So it would seem to me that there may be an opportunity to reorient some funds. But I don't think that the States or the industry should be called upon to carry that burden entirely.

Senator CANNON. Did Utah have a significant increase in its effort directed toward international travel?

Mr. HUNT. Most of the effort that Utah engaged in was as part of the Four Corners Regional Commission program which, as you know, Senator, Nevada was involved in—five States actually at the time. But the States each year put in an increasing amount of dollars for a regional promotion program. It was geared almost exclusively to the international market, and it was matched by money that came through the Commission. It is my understanding that that money is no longer available.

Senator CANNON. In other words, the funding for the Four Corners Commission itself has been cut out now.

Mr. HUNT. That's right. But several of the States in that group are continuing, and in fact are increasing their commitment to that regional promotion effort, which again is almost entirely an international promotion.

Senator CANNON. Thank you very much.

Senator PRESSLER. Thank you very much.

Mr. HUNT. Thank you.

Senator PRESSLER. I'd like to call on John Graff, an old friend and an excellent spokesman for his field. He is director of government relations for the International Association of Amusement Parks and Attractions.

John, we welcome you here.

STATEMENT OF JOHN GRAFF, DIRECTOR OF GOVERNMENT RELATIONS, INTERNATIONAL ASSOCIATION OF AMUSEMENT PARKS AND ATTRACTIONS, WASHINGTON, D.C.

Mr. GRAFF. Thank you, Senator, I appreciate those remarks. I brought a couple of constituents of yours from Rapid City. That's so you don't fall asleep and so that you will treat me kindly, as you already have.

I really don't need to take much of the committee's time this morning. I have no particular insights into the future of our industry that have not already been expressed by others. The testimony that I prepared contains mention of some of the problems that we see as being long-standing and chronic in the industry and our con-

cern about at least the past attitude of the Government toward the tourism industry. And again there is no point in my going into that in any great detail.

Lest your enthusiasm for the subject flag at all, I would take a moment to add my words to those of others who commend both you, Senator Pressler, and Senator Cannon, for these hearings. I think you are focusing attention on a long-neglected fact, and that is that this great industry is one of our most important industries and one which powers our national economic engine. Because the industry is so large, it is obviously significantly and frequently vitally affected by what the Government does and by what Government does not do.

Someone earlier this morning used the phrase "benign neglect." I would agree that the problem has not been that the Government has been meddling in our affairs or that it has actively opposed the industry on things that have been asked for. Rather, it has simply been indifferent toward the industry and its problems and its future. To the extent you on this committee are focusing on this industry, you are doing a great service to this country and something that cannot help but pay tremendous benefits to our economy.

The contributions statistically that we can make to the hearings are in my larger statement. I will not repeat them here. They are figures as fresh as yesterday so that they didn't appear in the earlier copies I sent to the staff. But we did get the latest figures yesterday on our portion of the travel-tourism industry and what it amounts to in terms of dollar contribution and so on. There's no point in telling you that this morning. It's in the statement.

There's just one aspect of that, which I would pick up on and mention for a couple of minutes this morning, because I think it's one of the most significant aspects of our industry—mentioned in some of the earlier testimony that I read from yesterday. I just want to call your attention to it again. That is the fact that this industry employs a far above average number of young people. If you pick up this week's or last week's issue of U.S. News and World Report and look at their story on unemployment, you will be reminded again of what a tremendous problem it is in this country to provide employment opportunity for young people.

Our industry is one that you could look to to provide wholesome employment opportunities for these young people.

Our particular segment of that industry, the fixed location amusement parks and attractions, is certainly one of the largest employers of young people in the country. About 80 percent of all of our employees are young people in their teens, some 210,000 of them at the present time.

The payroll of those kids is over $460 million a year.

I mention this because I want to focus on a problem alluded to in my prepared statement. It exemplifies the attitude on the part of the Government of indifference and neglect. The child regulations put out by the Department of Labor, which govern the employment of young people, are long overdue for revision. It's been 25 years since the Department has revised these regulations which set the hours and certain other conditions and restrictions on the employ-

ment of young people—and I'm talking particularly now of those in the 14- or 15-year-old age group.

About 6 years ago a proposal for truly modest revisions of the regulations were presented to the Department. We are not talking about creating sweatshops and that sort of thing. It was a matter of adding 1 hour a day or 2 hours a day for portions of the summer to the time kids can work.

This was proposed to the Department. The Department has acknowledged in letters to members of the Senate that the revision is long overdue. They have claimed to be working on it. And yet after 6 years the revision is still not completed. A publication date was set 2 years ago by the Carter administration and was then withdrawn in the closing months of that administration.

The Department announced last year that it would probably be published by the end of 1981. It was not. This week I received a copy of a letter to one Senator who had contacted the Department in our behalf, which turned out to be a form letter quite similar to some they had sent to other Senators 2 years ago saying, "This is a terribly complex problem and we are looking into all the aspects of it and we hope to have something by the end of 1982."

Well, the end of 1982 will be far too late to do something for these young people during the tourist season of 1982.

I simply call that to your attention as being something that, if this committee would lend lean on the Labor Department a little bit to try to get this done, could be of immediate and very significant benefit to a number—and I mean thousands—of young people. I know that in our industry a number of people have simply quit hiring these young people because the restrictions make it inconvenient to employ them and to have to let them go 1 hour or 2 before business closes. They just will not hire them.

This is not just a problem of our amusement park industry. I am working with people from the National Restaurant Association on some of these revisions that have to do with keeping young people from doing certain kinds of jobs. It's a matter of recognizing that in 25 years the lifestyles and economic needs of young people have changed. This is something the Government can do by way of a positive, simple, inexpensive, almost costless effort to improve the employment opportunities for young people.

Again, Mr. Chairman and Senator Cannon, I applaud you for the attention you are giving to this industry, and I welcome the opportunity to be with you this morning.

Senator PRESSLER. Well, thank you very much, John.

Let me say I have read your testimony and it is excellent, and I appreciate your summarizing it.

Let me ask you a couple of questions out of your testimony because I think it was so good.

First of all, you mentioned that, "This should be a sobering fact to those in and out of Government who look on leisure activities as a frivolous extravagance which can lightly be discouraged and even penalized when problems arise with respect to the economy as a whole." And you go on to cite some examples.

This problem is reflected in the budget which we are now working on, particularly in the budget request for the tourism activity in the Department of Commerce. It is a struggle to get it even to

the $7 or $8 million level. It is proposed at the $5 million level, and that is less than half of what it was a few years ago.

But it seems as though the theme of this testimony has been how to upgrade what people think of the importance of tourism, travel, and so forth.

But you touch on it there. You use the word "a frivolous extravagance," which is the view of some, certainly not very many in this room. But why is that?

Mr. GRAFF. Well, I don't know why it is, Senator. Maybe someone touched on it earlier this morning. Maybe it is simply the feeling that tourism has always happened, that if people get a dollar in their pocket they're going to go somewhere, and therefore we don't need to be concerned about encouraging it as a Government or as Government agencies.

My particular emphasis in that paragraph, however, was not that the Government ought to be spending money in doing things. I was addressing the decisions that have been made which reflect the idea that one thing we can get along without in periods of crisis is people traveling for leisure.

I think Don Hawkins, incidentally, has made some suggestions in his testimony by way of positive things the Government could do that wouldn't be all that costly.

Senator PRESSLER. You also said the study by the Wharton School at the University of Pennsylvania shows the country's amusement parks and attractions spent $1.361 million in capital improvements. Was that a study they did specifically for the industry? It also says the facilities paid $151 million in Federal, State, and local taxes in 1976. Did it tell how much employment it contributed?

Mr. GRAFF. I said we employ some 210,000 teenagers, and that is about 80 percent of our total employment force. So it's about 230,000 or 240,000 people. That's just in our amusement park portion of the industry.

As I mentioned, I got figures yesterday from Managing the Leisure Facility publication which makes an annual survey. Wharton's was made in 1976 just for our industry, our amusement park portion. But Managing the Leisure Facility surveys not only our parks, but local museums, ski resorts—they lump all of those in what they call recreational attractions, amusement attractions—and their figures show there were 502 million visits to these facilities last year, 1981. The facilities spent an average of $976,000 per facility in operating budgets—and I didn't multiply that out by the 1500 facilities that they surveyed. They spent a total of $551 million in capital improvements.

I hesitate to say this, but I have a disagreement with them on their employment figures because the employment they came up with for all 1,500 of those facilities was less than we have for just our membership in the IIAPA. They admitted to me they'd have to go back and look at those figures again. So I can't give you the employment. We figure in our portion of the industry it is something like 225,000 or 230,000 people—80 percent of them young people.

Senator PRESSLER. Regarding billboard advertising, the Federal Highway Administration started a pilot project several years ago where information about travel services and attractions was pro-

vided on standardized Federal highway signs. What was the position of your group on use of such signs as a replacement for billboards.

Mr. GRAFF. In the first place, it is my understanding and I was told in the last couple of weeks that that particular program you made reference to has never been developed beyond that sign going down to Richmond and one other State—I believe New Jersey. At any rate, it's just a couple of States where they've tried that and more or less abandoned it.

The billboard topic is, I admit, a difficult one, because this is a great scenic land and no one wants to drive down our highways and see nothing but huge and in many instances unattractive billboards. Yet, the right to advertise on billboards is fundamental to particularly small businesses. It is not a problem for Walt Disney or Marriott Corp. because they advertise on television and have nationwide advertising opportunities. However, most of your local business, not just parks, rely heavily on billboard advertising. That opportunity is now denied them almost entirely on the interstate system. We are hoping Congress will take a look at this and find some kind of middle ground that will permit the significant opportunity for these small business people to advertise along the way without creating significant kinds of problems.

Mr. GRAFF. I will.

Senator PRESSLER. Senator Cannon.

Senator CANNON. Do you have any specific suggestion as to what ought to be done on this billboard issue?

Mr. GRAFF. Well, there are two possibilities. There is a bill by Senator Stafford which I would not oppose which would turn the matter back to the States to regulate. To those who'd be concerned about this, I would suggest it is an area in which States have been very active. So I think the worst fears of those who support the Federal act would not come to pass if this was returned to the States.

If that is not to be the case, then I think we must think in terms of reasonable restrictions on size and content of signs—restrictions designed to prevent excessive quantities of boards and boards that are distractive to drivers and dangerous but still permit attractive, reasonably sized signs providing basic information.

This is not only, incidentally, a help to the businessman. The traveling public needs to know how to find these places.

Senator CANNON. The National Tourism Policy Act itself, subsection 11, states that the Travel and Tourism Administration "Shall develop a program to seek and to receive information on a continuing basis from the tourism industry, including consumer and travel trade associations, regarding needs and interests which should be met by a Federal agency or program and direct that information to the appropriate agency or program."

Have you attempted to follow that subsection of the law in getting at this problem with the young people?

Mr. GRAFF. You mean with respect to advertising?

Senator CANNON. Well, any of the problems.

Mr. GRAFF. I have a whole file of correspondence on that issue of regulation 3.

Senator CANNON. I am not talking about the Labor Department. I am talking about the Travel and Tourism Administration.

Mr. GRAFF. Oh, did I ask them to help with this?

Senator CANNON. Yes.

Mr. GRAFF. No, not the agency itself. This matter has been brought up in discussions that we have had with the White House. Don arranged for a meeting some months ago dealing with the whole regulatory matter. It came up there for discussion as part of the whole tourism problem. People from the agency were there, so they are aware of it.

Senator CANNON. Well, if it were me, I think I'd want to do more than just make them aware of it. I think under that provision of the act, the U.S. Travel and Tourism Agency has a direct responsibility to move in that area if the industry really goes after them.

Mr. GRAFF. I think you're right, sir.

Senator PRESSLER. Thank you very much.

We have one more witness, and also Esther Edie, one of my State's prominent environmentalists, is in the audience and I want to greet her.

Thank you, John, very much for your testimony. If you have further thoughts on the budget, you might put them in the record.

[The statement follows:]

STATEMENT OF JOHN R. GRAFF, COUNSEL AND DIRECTOR OF GOVERNMENT RELATIONS FOR THE INTERNATIONAL ASSOCIATION OF AMUSEMENT PARKS AND ATTRACTIONS

THE ECONOMIC IMPACT OF THE AMUSEMENT INDUSTRY

Mr. Chairman and Members of the Subcommittee, We welcome and appreciate the opportunity to place on the public record of this Committee a statement concerning the importance of Tourism and Travel, and particularly of the nation's permanently located amusement parks and facilities, to our nation's economy as well as to discuss a few particular problems.

The attention which this Subcommittee, and particularly its Chairman Senator Pressler, has given to this vital industry is much more than just a tip of the hat to those who make their living serving the country's recreational, leisure and entertainment needs. You are forcing a long-overdue recognition that this second or third largest industry in the country—travel, tourism and recreation—is a critical component of our nation's economic engine. Because the industry is so large it is directly, often immediately and all too frequently adversely affected by a wide range of government actions. This in turn has far reaching consequences for the whole country. If there is one general complaint that should be lodged in these hearings it is that the industry has suffered from benign neglect at the hands of government. It has not been government's active opposition or its failure to grant special favors to the industry, but rather its failure to seriously consider the effect of various policies on this very large industry, which has created problems in the past.

In focusing attention on this subject you are performing an important service. If it leads to a more enlightened attitude toward the nurturing of this industry the country will have been well served indeed. You are to be thanked and commended for your part in beginning this process.

Before turning to the specific concerns we would have you address, we would like to present some information on the nature and size of the industry. It is important to know this. If the Congress is to take seriously the problems of the industry, it must be aware of the extent to which that industry impacts the economy of the country as a whole. If the public is to support policies which reflect that awareness, it must understand that we are not talking about the playtime squanderings of an economic elite. We are talking about a broad umbrella industry which employs millions of workers to provide billions of dollars worth of goods, services and leisure activities to tens of millions of Americans. Travel and recreation are a significant part of the household budgets of all but the most severely impoverished Americans and more Americans have their income tied directly or indirectly to this industry than almost any other single industry.

Others such as TIAA who appear before you will put into the record the figures on the payrolls, gross income, taxes paid and other significant figures for the entire travel, tourism and recreation industry. There is no need for us to duplicate that information here. So that the record will be complete and as detailed as possible we would like to give you a few figures on just our industry alone, that is, the permanently located amusement parks and attractions, which we feel are particularly significant and will be of interest to you.

The 1981 Funparks Directory published by Amusement Business and Billboard Publishing, Inc. lists 830 facilities which, while not all members of IAAPA, qualify as permanently located parks and attractions. This definition includes theme parks, ride parks and privately owned natural attractions. It does not include public parks, ski resorts, arenas, theatres or any fairs and festivals. While a few of these 830 facilities are operated as major theme parks by large companies, the great majority are smaller companies which are family owned and operated.

Projections based on a 1981 survey of our membership suggest that these 830 facilities employ approximately 280,000 persons, nearly three fourths of whom, some 210,000, are young people between the ages of 14 and 20. This makes us one of the largest employers of young people in America—the group for whom unemployment has been a chronic problem for years. This fact alone makes our business a vitally important one for the country.

Some 170 million persons visited the 830 parks and attractions in 1981, a figure that has steadily increased for several years. This supports our claim that spending for recreation and entertainment is a significant part of most family budgets. It also suggests that such activity is firmly fixed as part of our lifestyle.

We do not have up to date figures on the economic significance of these facilities but the Wharton School at the University of Pennsylvania produced a study which shows that the country's amusement parks and attractions spent 1 Billion 361 million dollars in capital improvements alone between 1971 and 1976. This was prior to much of the major theme park construction which has taken place in recent years. The figures for the last five years would be even more staggering.

The facilities paid 151 million dollars in federal, state and local taxes in 1976.

The study estimated that wages paid by the industry would total 460 million dollars in 1979 and that payments for local services, supplies, utilities and inventories would total another 340 million dollars. It is a certainty that these estimates were unrealistically low in view of the rate of inflation and the growth of the industry since 1976.

Managing the Leisure Facility (MLF), another trade publication which produces figures on amusement facility attendance and expenditures, has just released its 1981 figures. This publication uses an expanded definition which includes such things as ski and other special purpose resorts and museums and thus some 1800 operations.

The MLF survey shows that in 1981 this larger universe of amusement facilities drew 502,000,000 in attendance, spent an average of $976,000 per facility in operation budgets and a total of $551 million on capital improvements.

The Committee specifically requested information on the impact of this industry on international trade. Unfortunately, there is very little data available on that we are unable to provide much that will be useful. By way of general observations it can be noted that amusement parks appear to be a popular destination for foreign visitors. The two Disney parks monitor this traffic and report that Walt Disney World in Florida and Disneyland in California were visited by 2,500,000 foreign guests in 1981.

These figures on amusement park attendance and spending are rather impressive on their own but they are only a part of the total travel, tourism and recreation industry. What emerges is the picture of an industry of many diverse yet interdependent components which, taken as a whole, is so large that economic dislocations within it immediately, directly and measureably affect America's entire economy.

This should be a sobering fact to those in and out of government who look on leisure activities as a frivolous extravagance which can lightly be discouraged and even penalized when problems arise with respect to the economy as a whole. Consider if you will, as just one example, that the decision to force weekend closing of gasoline stations affects the incomes of many more people than just the station operators and their employees. By the time the effects of such a policy have rippled down through all the businesses directly affected by such closing—hotels, resorts, amusement parks, recreational areas, restaurants—it is safe to say that the take home pay of more people has been cut than would be the case if you curtailed one or two days a week operation of any other industry in the country.

These hearings must produce a keen appreciation of this one fact: that governmental decisions (or neglect) adversely affecting the travel and leisure industry cannot be predicated on the belief that the only consequence of such decisions or neglect is some minor inconvenience and disappointment for a pleasure seeking minority. You are dealing with the livelihood of literally tens of millions of working Americans.

With this in mind we turn briefly to several matters of a specific nature which should be addressed by the Congress and the Administration in the months ahead.

To state the first item in terms of priority is to re-state what has just been said above. That is, there must be accepted and reflected in all relevant government policies a recognition of the economic significance of this huge industry. Policies and programs which may appear attractive as a "quick fix" affecting only a small minority of businesses will need to be re-evaluated in terms of their actual impact. Without suggesting the need for government financial support of, or direct involvement in, the operation of the industry we would ask that serious attention be given to the study of ways for stimulating and encouraging the fullest possible development of the industry to the extent that development can be encouraged by government policies.

There is probably no single issue with respect to which this is more important than the area of energy management and conservation. We welcome and applaud the Administration's recent actions in eliminating weekend closing, odd-even day and other ill-advised allocation systems from the emergency standby energy program.

No one can seriously believe we have overcome our fuel energy problems. The possibility of another crisis will remain with us for at least several years. This means there must be a rational agreed upon plan for dealing with such emergencies worked out in advance. That plan should provide for the systematic and uninterrupted filling of the strategic petroleum reserve and agreement on the best utilization of that reserve.

We would not presume to say what the other elements of the plan should be. We have followed the efforts of the Congress to write a new emergency standby program and the Administration's opposition to such legislation. Without taking sides in the dispute as to whether legislation is necessary, there should be a clear and unequivocal rejection by the Congress as well as the Executive Branch of artificial allocation procedures. Federal action should be limited to removing impediments to the functioning of the market system.

High on our list of priorites is action on the revision of Child Labor Regulation #3 which unreasonably restricts the hours that 14 and 15 year olds can work and imposes certain other outdated restrictions on what they can do. The current limitations were written over twenty five years ago and are unrealistic in terms of the lifestyles and economic needs of modern young people.

As one of the largest employers of young people, our industry is very much concerned with this. Many of our members have quit hiring such young people altogether because they must send them home 2 hours before closing. This is a great shame when youth employment is one of the greatest social and economic problems we face.

Very modest revisions have been suggested and have been bogged down for nearly six years in the Department of Labor. The Department has admitted in writing that a revision is long overdue and has several times announced that the revision is ready for publication. Despite this, and despite the Administration's promise of regulatory reform, we appear to be no closer to publication of the revision than we were four years ago when the Department said it was ready to publish.

When hearings were held over four years ago on the revision no one appeared in opposition. It has been suggested that organized labor is opposed because it would put young people into competition with adults for jobs. That opposition has not been publicly revealed and the argument is unjustified. These are not jobs which would be attractive to most adults because of their short seasonal nature.

We would welcome any help we can get from the members of Congress in getting the Department to act on this matter. It could almost immediately provide jobs for thousands of young people.

Finally, we would ask the Congress to act this year on Billboard advertising legislation. The provisions of the federal Highway Beautification Act relating to the control of billboard advertising were enacted years ago in response to what some saw as an intolerable proliferation of unsightly billboards along the nation's scenic routes.

Few would deny the desirability of maintaining visual access to the splendors of this land. The present law, however, has been objected to by many people and many States as being too restrictive and heavy handed. In truth it has all but eliminated

the primary opportunity for most small business persons to advertise their products and services. This is in many cases absolutely essential to continued success for many businesses. In addition, the severe restrictions deny the traveling public access to desired information.

The issue is frequently discussed in terms of constitutional principles and States rights. While these are legitimate points of focus, depending on one's bias, we would suggest—in keeping with our emphasis on the economic impact of this industry—that there are compelling economic reasons for rewriting this law or, in the alternative, as Senator Stafford has proposed, abolishing the federal law and leaving regulation to the several states.

Restoring billboard advertising rights to these small businesses need not be inconsistent with preservation of scenic highways. It should be possible to work out laws which compromise both interests so that the essential concerns of all are met.

This list of requests is short. It is not exhaustive of the things that need attending if the whole industry is to remain healthy. It is a list of those matters most urgently affecting the nation's amusement parks and attractions. Others will develop for you additional issues which have either a direct or indirect effect on us.

We hope it is not lost on the Committee that what our industry seeks is not a share of the federal treasury or even indirect subsidiaries of any sort which will give us an advantage over things competing in the economy. We are seeking only a recognition of the extent to which this industry because of its economic significance must be considered in the formation of government policy.

The specific requests we have make will cost the government nothing. They will in some instances remove unwarranted and counter-productive obstructions problems with less wrenching of the economy.

We again thank you for the opportunity presented by these hearings.

Senator PRESSLER. I might say to the two professors who were here earlier, if they have thoughts on the budget we'd like to get them. We will be working on that with Senator Cannon and others here in the next few days.

Next I will call on Walter Conti, chairman, National Restaurant Association, Washington, D.C.

STATEMENT OF ROBERT NEVILLE, PRESIDENT, NATIONAL RESTAURANT ASSOCIATION, ACCOMPANIED BY WALTER CONTI, CHAIRMAN; AND SUSAN MILLS, DIRECTOR, INFORMATION SERVICES

Mr. NEVILLE. Mr. Chairman, my name is Robert Neville. I am president of the National Restaurant Association.

I am sorry to tell you Mr. Conti is suffering from a travel delay and he may arrive in the midst of my presentation, but with your permission I'll go ahead and present his testimony.

Senator PRESSLER. You may proceed.

Mr. NEVILLE. Thank you. I am accompanied this morning by Susan Mills, director of information services for the National Restaurant Association.

The National Restaurant Association is a trade association with 10,000 members, representing 100,000 establishments in the United States and 37 foreign countries. Our membership consists of full-service restaurants, fine steak, and other limited menu establishments, fast food chains, hotel and airline food service operations, institutional caterers, and vending operations.

The food service industry employs 8 million people and conducts 77 million customer transactions every day in the commercial sector alone. Food service now receives 37 percent of consumer expenditures for food—up from 33 percent in 1970. Our sales in 1981 were $124.7 billion, about 5 percent of the gross national product.

Mr. Chairman, there are those who suggest that by 1990 tourism and travel may well be the Nation's No. 1 industry. The rate of growth of tourism receipts has outpaced that of GNP for the past decade. An increasing influx of foreign tourists, changes in demographic patterns, and a growing American trend toward travel-related activities have combined to make this industry one of the most powerful forces in our economy.

Today I would like to comment on the impact this vital industry has on our economy, first in general terms, and second as it relates to the food service industry.

That tourism is an integral part of our economy certainly cannot be questioned. In 1981 travel and tourism contributed $180 billion to the GNP representing approximately 7 percent of the total.

In 1980 domestic travel alone generated $75 billion in transportation expenditures, $41 billion for food, $24 billion for lodging, and an additional $22 billion for entertainment and incidentals. The travel industry expanded rapidly in the past decade. In fact, between 1977 and 1980 domestic travel expenditures jumped by over $70 billion from $109 billion to $180 billion.

Growth in the past 10 years can be attributed in part to a number of social and demographic factors, including: the increase in the number of 25- to 44-year-olds who travel most frequently; rising incomes and two-income families; automation and increased discretionary time; higher educational levels and more sophisticated communications networks; the growth of multinational companies; and changing lifestyles that include travel and leisure as an important and necessary part of living.

Between 1977 and 1979 there was an 8-percent increase in the number of employees working in the travel industry. This growth in travel and tourism bodes well for our nation's sluggish job market. In 14 states the industry has become the No. 1 private employer. In 24 other States it is now the second and third largest employer. And travel-generated payroll increased at a faster pace than total national wage and salary disbursements—28 percent versus 26 percent between 1977 and 1979.

Many travel and tourism jobs are held by minorities, women, teenagers, unskilled, and semiskilled workers. These positions frequently do not require prior experience, so travel and tourism provides that important first job to millions of Americans who might otherwise be unemployed.

The fact that the amount of spending required to generate one new job in the travel and tourism sector of our economic is considerably less than in other sectors should be particularly heartening to you as policymakers—in your search for a means of alleviating our growing unemployment problem. Compare the $34,000 in tourism dollars required to generate one job in the travel industry to over $200,000 to generate one job in motor vehicle manufacturing, and nearly $100,000 in sales in the steel and aircraft manufacturing industries.

Properly nurtured, the travel and tourism industry can provide our Nation with a growing source of jobs and economic growth. Furthermore, tax receipts from the industry now represent a healthy chunk of goverment revenue. In 1979, for instance, the tourism industry generated $8.3 billion in Federal tax revenues,

$5.6 billion in State taxes, and $1.7 billion in local taxes. These figures should not be overlooked as the Federal Government explores new ways of spurring economic development and generating needed revenue.

Food service plays a significant service and support role in the travel and tourism industry for both domestic and international travelers. In fact, the largest sector of the industry, exclusive of transportation, is food service. It accounts for one-quarter of the consumer's travel budget, produces the largest number of jobs, and is one of the largest earners of receipts in the entire travel industry.

Because the food service industry is so large and its business is not strictly related to travel, the public, government officials, and even some restauranteurs are not fully aware of the full economic significance of travel to restaurant sales.

For example, more than one-third of total food service industry sales are directly related to travel and tourism in the United States. In 1980 travel-related food expenditures totaled $43.5 billion. Ninety percent of the traveler's food budget, or $39.1 billion, was spent in restaurants, accounting for approximately 34 percent of total food service industry sales.

Although domestic vacationers, who spent over $25.7 billion on food in 1980, are obviously responsible for the largest portion of total food service sales related to travel, business, and international travelers should not be overlooked.

For example, business travelers in 1980 spent $8.4 billion on food, accounting for 19.3 percent of total traveler expenditures for food for that year.

And, international travelers, when separated out of the above totals, are another significant component. In 1980 international travelers spent a total of $2.8 billion on food which represented 6.4 percent of total travel expenditures for food that year. In comparison, foreign visitors spent only $1.2 billion on food while traveling in the United States during 1977.

It is clear that whether we're talking about a coffee shop breakfast, an airline luncheon, or a 10-course dinner, the food service industry is providing an essential service to the traveler, who in turn handsomely contributes to the sales and thereby the growth of the industry.

But, how else does this $43.5 billion spent annually on food by travelers contribute to the health of our Nation's economy?

Most important, the traveler's food dollar helps to stimulate employment within the food service industry. 1980 food service travel expenditures—both foreign and domestic—roughly translate into 1.9 million jobs. Many of these jobs are part-time positions most often filled by young people. These are direct food service occupations such as waiters, cooks, and counter workers which provide many youth with their first real work experience. In fact, the food service industry's employment profile shows that 24 percent of those working in food service occupations are teenagers, and I'm certain that I don't have to elaborate on the benefit to our economy as a result of this boost to youth employment.

Our friends in the hotel and lodging industry, many of whom have food service operations in their establishments, are also a

large and dynamic force in the travel and tourism industry. In 1980 the hotel and lodging industry received $23.5 billion or 14.6 percent of total travel expenditures. Food and lodging together totaled nearly 40 percent of the domestic and international traveler's expenses. Lodging ranks second to food in terms of receipts received as a direct result of tourism. Obviously, travel creates jobs in the hotel and restaurant and lodging industry just as it does in the food service industry which further serves to strengthen our Nation's economy.

Mr. Chairman, may I introduce Mr. Conti. I apologize.

Senator PRESSLER. That's very fine. Why don't you just complete the testimony and Mr. Conti can answer the questions.

Mr. NEVILLE. Thank you, sir.

The National Restaurant Association was extremely pleased by last year's enactment of the National Tourism Policy Act, which culminated nearly a 10-year effort to bring to the attention of the public and government officials the importance of this vital industry. We feel that the United States should vigorously promote one of its most marketable products—tourism.

It just makes good economic sense to do so, especially in light of the fact that 1982 may be the first year U.S. international travel receipts exceeded U.S. travel payments abroad. Foreign spending in the United States is projected at $13.6 billion, while Americans traveling abroad will spend a projected $13.2 billion. It is our hope that under the provisions of the Travel and Tourism Act, the Department of Commerce's Travel and Tourism Administration will aggressively promote the United States as a tourism destination.

Some of the following techniques used and supported by the food service industry, especially with respect to foreign travelers, are ideas that your subcommittee and the U.S. Travel and Tourism Administration might find interesting.

Mr. Chairman, John Graff alluded to some of these so I am not going to repeat them all.

I think it is important to note that because we have recognized the benefits of tourism to our industry, the National Restaurant Association instituted a program called project: hospitality in 1979. Through this program we distribute promotional materials and conduct seminars at local levels for restaurant operators wishing to attract and satisfy international tourists. And, three associations—North Dakota, New Hampshire, and Georgia—incorporate the word "hospitality" into their names in recognition of the relationship among food service, lodging, and tourism.

Federal and local involvement in tourism promotion by national and local chambers of commerce and trade associations like the National Restaurant Association become especially significant when geared toward a specific tourist event.

I've talked quite a bit this morning about the specific economics of the travel and tourism industry as it relates to food service, and I've alluded to the much larger economic impact when all sectors of the tourism industry are considered together. I think it's important that we recognize that we take the opportunity to recognize the opportunity exists through the newly created U.S. Travel and Tourism Administration to coordinate, promote, and take full economic advantage of this demonstrated growth industry.

We wholeheartedly support strong Federal and local government involvement in the promotion of tourism, and we urge you, when considering the fiscal 1983 budget proposal for the U.S. Travel and Tourism Administration, to examine closely and weigh the need to reduce federal spending against the certain economic returns which would result from a well-formulated and coordinated national tourism policy.

We are grateful for the opportunity to present these views this morning, Mr. Chairman. We'd be happy to answer any questions you may have.

Senator PRESSLER. Thank you very much. And, Mr. Conti, welcome to you also.

Would you tell us what proportion of your membership is comprised of small businesses? As you know, most of the travel and tourism industry is small businesses. This is particularly true of my home State of South Dakota.

What about your membership?

Mr. CONTI. Over 90 percent do $500,000 or less a year.

Senator PRESSLER. We have heard a great deal of testimony about the need for a solid data base for the tourism industry. You have provided many detailed figures in your testimony. For instance, you stated in 1980 travel-related food expenditures totaled $43.5 billion, about one-third of the industry's total sales.

Could you tell me the source of these statistics? Did your organization somehow compile them itself in cooperation with the membership, or do you use figures collected by the Government?

Ms. MILLS. The figures to which you are referring are from the U.S. Travel Data Center and they base many of their figures on Government figures from a prior census.

Senator PRESSLER. We are now very interested in some of those figures because we are struggling with the reauthorization bill. Do you have any specific suggestions on that?

Ms. MILLS. We use, of course, the Census of Retail Trade, and it is a very important data base for all of the numbers that we collect. So I can well understand the importance of the National Transportation Census.

Senator PRESSLER. Has the National Restaurant Association participated in any of the joint industry-Government promotion efforts being organized by the U.S. Travel and Tourism Administration?

Mr. CONTI. Yes, we have.

Senator PRESSLER. And which ones?

Mr. CONTI. I believe it's the National Tourism Caucus. That may be the official or unofficial title. I think they are groping for an official title.

Senator PRESSLER. Could you give us some details about "Project: Hospitality"?

Mr. CONTI. Well, "Project: Hospitality" is something we have developed as an integral part of our overall programs, so to speak. So no matter how well we do anything, if the word "hospitality" is not involved in our day-to-day relationship with the people who come to our place, we won't be successful in that relationship.

We put on education programs and seminars constantly that all our members can attend and study, and in fact we are now in the

process of renewing and reviewing a whole new program with that whole "Project: Hospitality" as its focus. It's a 5-year program.

Senator PRESSLER. I thank you very much.

Senator Cannon.

Senator CANNON. I have no questions.

Mr. CONTI. Thank you very much. I'm sorry I was late.

Senator PRESSLER. If you have any thoughts later, you might check with our staff on the authorization level—I know you are not prepared on that subject—for the function of tourism in the Department of Commerce. We would much appreciate getting a letter from you and others.

This concludes these hearings, which we have used to look at the economic impact of tourism, and also to do some thinking and asking and probing regarding the authorzation for the USTTA. It is now proposed at $5 million—we have talked about a $9.5 million figure. Through the budgetary process of reconciliation and the appropriations process, it will eventually be decided. But I feel strongly that the results of these hearings have been at least twofold:

First, I think that we have emphasized the enormous economic impact tourism has, not only in the United States but internationally. Second of all, I think a result of these hearings has been a very substantial evidence that the direction the Department of Commerce is heading is contrary to the law we passed last year. And we will be looking at that.

Senator Cannon, do you have a closing statement?

Senator CANNON. No, I just want to join you in expressing my concern over this matter and say that I do think we need to increase the level of the authorization bill over and above what the administration has proposed, and I will certainly join with you in that effort.

Senator PRESSLER. Thank you very much.

That includes this hearing.

[Whereupon, at 11:17 a.m., the hearing was concluded.]

ADDITIONAL ARTICLES, LETTERS, AND STATEMENTS

UNITED STATES SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, D.C., February 19, 1982.

Hon. ALAN SIMPSON,
Chairman, Subcommittee on Immigration and Refugee Policy, Washington, D.C.

DEAR MR. CHAIRMAN: It is our understanding that you have been planning to begin legislative action on the State Department's proposal to implement a limited visa waiver program for visitors to the United States. We applaud this step since it is our feeling that such a move will have very positive effects on the flow of international travelers to the United States.

As you may know, foreigners spent some $12 billion in the United States last year, making international travel one of our most important sources of trade revenue. We feel that this total could be greatly expanded, and that expansion should be a goal of the federal government. The limited visa waiver program would be one of the fastest, most effective methods the federal government could use to encourage foreign travel to the United States.

The Senate Subcommittee on Business, Trade and Tourism held hearings on the State Department's visa waiver proposal on September 22, 1981. The record of these hearings has just become available and you will find several copies attached here. As you will see from the testimony, the State Department's plan was endorsed by all witnesses, including, perhaps most significantly, the Justice Department.

In conclusion, we would encourage you to pursue this very important issue as soon as possible. The long delays being encountered by foreign citizens seeking visas will only worsen this spring and summer if no action is taken. This would result in millions of dollars of lost trade income for the country and, in our view, the Congress should not let that happen.

Thanks very much for your consideration of our position.

Sincerely,

LARRY PRESSLER.
DANIEL INOUYE.
HOWARD CANNON.
NANCY KASSEBAUM.
BOB PACKWOOD.
JAMES EXON.
RUSSELL LONG.

ARLINGTON VISITORS COMMISSION,
Arlington, Va., February 26, 1982.

Senator LARRY PRESSLER,
Chairman, Business Trade and Tourism Subcommittee, Commerce, Science and Transportation Committee, U.S. Senate, Washington, D.C.

DEAR SENATOR PRESSLER: As Chairman of the Arlington, Virginia, Visitors' Commission, I wish to contribute to the testimony regarding the economic impact of tourism, hearings held February 24 and 25, 1982, and that these remarks be added to the record. The issue is—how is the travel and tourism industry to be considered at the federal level?

Arlington County leads the entire state of Virginia in travel dollars spent. In 1981, approximately $330 million dollars was spent in Arlington in tourism and tourism-related industries. This figure generated $8.4 million in tax revenues for the county government—just in gross receipt, hotel occupancy, and real estate taxes—53 percent more than the projection of revenues from the federal government to the County in fiscal year 1982. Another $7.9 million was generated in sales tax revenues to the state of Virginia.

Of local, state and regional significance are the 10,000 jobs which are provided by the tourism industry in our county alone. Of these 10,000, 50 percent are for the unskilled, possibly preventing 5,000 persons from being forced onto welfare rolls. In difficult economic times, as well as in times of expansion, these tax revenues and jobs are deeply important to all levels of government. With plans being developed to return federal functions to the local level, and with federal expenditure cuts, it carries an even greater significance that this industry—travel and tourism—be nurtured and allowed to flourish in our jurisdiction, the state of Virginia, and the entire country.

If encouraged, in the manner espoused by many European nations, the travel industry could assist our national balance of payments ratio, as well as pave the way for local and state governments to be able and prepared to take on the additional expenditure burdens which are foreseen.

Thus, it is of consummate importance that the United States government take a leadership posture in this field. Promote, assist, and lead the travel industry to its highest potential, for all Americans.

Yours truly,

ROBERT L. GRATTON, *Chairman.*

STATEMENT OF HON. PAULA HAWKINS, U.S. SENATOR FROM FLORIDA

Tourism and Florida have been synonomous for decades—without tourism and its economic benefits, the residents of Florida would pay higher taxes, have fewer amenities, and enjoy a lower standard of living.

The importance of tourism to my state connot be underestimated. In 1981, more that 35 million visitors came to Florida, spending nearly $18 billion while in the Sunshine State. That makes Florida the Number One tourist destination in the nation. What those figures don't show, however, is the impact tourism has on all segments of our state's economy—on jobs, taxes, and businesses which supply and serve the primarly tourism industry.

One of the most important areas in which tourism helps my state is in generating tax revenues. Last year, more than $800 million was generated in state taxes from sources directly related to tourism.

This tourism revenue enables Florida to have one of the lowest sales taxes in the nation and to do without state income tax. According to recent reports, Florida ranks 44th in the nation in the amount of taxes levied on its citizens. Yet, Florida's residents enjoy fine state parks, libraries, hospitals, highways and local services.

No discussion of Florida tourism is complete without discussing its impact on employment. More than 850,000 jobs in my state are attributable to tourism, jobs which generate $4 billion in income. These jobs keep Florida's unemployment rate below the national average. Further, the tourism industry provides jobs for many that are difficult to employ—the unskilled and those seeking entry-level positions.

We have discovered in Florida that it is important for both industry and state government to wage aggressive tourism promotion campaigns. Studies prove that money spent for tourism promotion is repaid many fold. For example, in my state, $800 million in tourism tax revenues was supported by a governmental outlay of $8.3 million, the fiscal year 1981–82 budget for the Florida Division of Tourism. Of that, $3.6 million was spent on paid advertising. In addition, private industry in Florida invests in promotion, and their investments pay off handsomely. Such promotion by both private industry and government proves that promotion money can be spent, not only in Florida, but in other states as well.

Last year, the tourism industry generated $160 billion in sales nationally, making it one of the top three industries in 46 states. Becuase the United States is a land of many cultures and geographic diversities, our potential for expansion is great. Since experts predict that by the year 2000, tourism will be the world's largest industry, we need to keep America an attractive place to visit, not only for economic reasons, but to advance international understanding.

STATEMENT OF BEVERLY HALLING, IMMEDIATE PAST PRESIDENT, SOUTH DAKOTA INNKEEPERS

The South Dakota Tourist Industry had a much better year in 1981 when we compare it to 1979 and 1980. In 1979 we suffered because of the contrived gasoline shortage. The brave traveled and the timid stayed home. Unfortunately there were more timid than brave. In 1980 the price of gasoline went up so rapidly people did not have a chance to budget for the drastic change so they stayed home. By 1981 the gasoline shortage scare was over, people had become accustomed to the higher prices so they could build it into their budgets and many of them had not taken a vacation for years so they were definitely going to go somewhere in 1981. This year didn't compare with our boom year 1978 and it may be a long time before we reach that level again.

The Tourist Industry is a very fragile industry. One can be ready for a big year and all of a sudden something happens that changes the whole thing. The 1972 flood in June in Rapid City, South Dakota is a prime example. We were geared up for a big year but by the time the television media got done telling about the flood in the

Black Hills and the telephone company had played the recording to everyone that tried to place a call to this area "due to severe flooding in the Black Hills we are unable to complete your call" we were shot out of the saddle. Even though the flood covered a very small area it was devastating to the whole state and most of it was caused by the television media and the telephone company.

The tourist industry on a national level should encourage and insist that the media and the communications people help us solve the kind of problems just mentioned by including information regarding the areas unaffected by the flood or volcano or whatever disaster has hit a small area. For instance, they could have said that parts of Rapid City and Keystone were affected—the rest of the Black Hills is not involved.

We look for a good year in 1982 in spite of the economy but as stated earlier-the tourist industry is fragile and any little adversity could change the whole picture very quickly. Since tourism is at the very least the fourth largest industry in almost every state in the nation and much higher in a large number of states. The federal government in missing the boat by not cooperating more with this industry and helping promote it abroad.

STATEMENT OF VERNON D. MARTIN, EXECUTIVE DIRECTOR, COASTAL AREA PLANNING AND DEVELOPMENT COMMISSION, BRUNSWICK, GA.

Mr Chariman, it is a pleasure to testify today on the significant impact that tourism—Coastal Georgia's number one industry and the state's number two industry, second only to agriculture—has on our coastal region.

I am Vernon Martin, Executive Director of the Coastal Area Planning and Development Commission (CAPDC). Ours is one of 18 such agencies in the state and is made up of eight counties and 26 cities—all of which are voluntary members of CAPDC. In existence to provide guidance to cities and counties in planning for growth when requested, the CAPDC helps to return to Coastal Georgia and average of $40 in grants, loans and services for every $1 paid into dues.

The Coastal area of Georgia is rich in historic and scenic attractions. Many of the sites have played important roles in the development of Georgia and of the United States and added to this historical interest, our region offers one of the most beautiful environmental areas of the country. With its barrier islands, marshlands and intricate network of rivers, Coastal Georgia has remained largely untouched by development, thus preserving for future generations a beauty and tranquility that is rarely found today in such abundance.

These factors have contributed to make the tourism industry in Coastal Georgia a major and vital contributor to the economic stability and well-being of the region. The industry, however, is subject to a great deal of outside influence over which it has little or no control. Therefore, a coordinated effort to promote the region as a whole, respond to changing economic patterns and assist the small tourist business was realized as a critical factor in Coastal Georgia's economic growth and stability. This realization was brought in particular focus with the advent of the interstate system in Coastal Georgia. Completion of I-95 through our region posed an economic threat on a catastrophic scale to business and communities along U.S. 17; to counteract this portentous "green tunnel", the CAPDC undertook in 1975 an indepth plan for coordinating development and tourism in Coastal Georgia. (Researched and submitted by Wilbur Smith and Associates, Inc., Atlanta, Georgia.)

Since the completion of the study and establishment of the Coastal Georgia Tourism Program, staffed by a Director of Tourism and advised by a 30-member Advisory Council, many goals have been defined and achieved. A careful combination of promotional efforts has helped to more effectively "tell the story" of Coastal Georgia to travelers and potential travelers, as well as generated recognition and acceptance for the tourism program.

Among previous projects and liaison effort of those currently underway are:

Continued production and distribution of Coastal Georgia brochures throughout region, state, county and foreign countries.

Development of "mini-driving tours" of the region with accompanying brochures.

Production and distribution of lighted Coastal Georgia display maps for motels, restaurants and other businesses.

Preparation and distribution of feature travel articles to weekly newspapers in selected markets; development of more intense coverage of Coastal Georgia by travel writers and other writers in statewide and local publications.

Continue "Welcome to Coastal Georgia" city/county welcome sign program.

Work to revitalize DOT's experimental Highway Advisory Radio throughout Coastal Georgia.

Work toward establishment of Coastal Georgia "logo" trailblazer signs for area attractions.

Attendance at national and regional travel shows.

Initiation of statistical survey on tourism economics in Coastal Georgia.

Assistance to local communities in regional promotion.

Establishment of local support for the tourism industry through news articles, slide presentations, outdoor ads and radio.

Establishment of model regulations governing outdoor advertising in Coastal Georgia, in conjunction with DOT and Federal Highway Administration.

Act as a clearinghouse for tourism inquiries including follow-up contacts with participating tourism/travel entities.

Continue area promotion through such means as maps on restaurant placemats and Coastal Georgia sugar packets.

The Advisory Council on Tourism, along with the CAPDC's Director of Tourism, are presently planning goals and programs for fiscal year 1983.

As previously stated, tourism is Coastal Georgia's principal industry, and we estimate that Coastal Georgia's tourism dollars spent in 1981 totaled $230,000,000 with 57 percent of that from Chatham County. In addition to that impressive figure, the number of Coastal Georgians who depend on this industry for employment is quite high. An estimate in excess of 10,000 people in Coastal Georgia are employed as a direct result of tourism, with Chatham County comprising approximately half of that figure. In addition to the income generated by lodging, camping, dining and touring, there is significant tourism-related impact on retail sales, utility income and most certainly a multitude of sales tax collection from tourists. Taxable revenues based on gross sales and receipts for the travel industry in Coastal Georgia's eight counties break down as follows:

Bryan County (including Richmond Hill)	$8,395,978
Camden County	5,575,422
Chatham County	150,033,834
Glynn County	68,398,730
Liberty County	14,254,527
McIntosh County	5,103,769
Effingham County	2,963,566
Long County	525,672
Total	255,251,498

This combines to a total figure of $255,251,498. It is interesting to note that the total State Tax Revenue generated by the travel industry in 1980 was $503.5 million.

Visitors Centers—as conducted by the Georgia Department of Industry and Trade—further illustrate an increase of tourism in Coastal Georgia and the entire state. Traffic on I-95 through Coastal Georgia is up 8.2 percent over last year, compared to 94.42 percent increase statewide. For example, the Kingsland Visitor Center (Camden County) saw 844,988 visitors during January—December, 1980, and 937,813 during January—December, 1981—an 11 percent increase.

Likewise, the Savannah Visitors Center enjoyed an increase: 19.23 percent from 1980 to 1981. They entertained the questions of 777,254 tourists from January—December 1980, but saw some 926,806 visitors the following year.

Statistics for January of 1982 reveal a continued increase of Georgia visitors: 1.71 percent increase through Savannah and 5.35 percent increase through Kingsland. A recent Savannah Chamber of Commerce publication further substantiates this visitor increase evidence with data pointing to a 30 percent increase of convention bookings in the Savannah area.

Now, while we know that 90¢ of every Canadian dollar is spent in Florida and that many of our visitors are indeed merely passing through Georgia on their way to Florida, we also know that Coastal Georgia offers these visitors a viable alternative destination site. Therefore, our continued goal is to turn to our advantage this steady movement of tourists throughout the coastal region by enticing them with vacation options that will keep them here for a longer period of time, as well as provide them with just reason to return to our area.

Because of the increasing travel industry in Coastal Georgia, we feel that legislation of senate Bill 304 is vital. We certainly want to do everything we can to assist you in supporting the measures called for in your bill.

There are a couple of areas about which we have some concern. As you know, the bill allows the Secretary of Commerce to provide financial assistance" to a region of not less than two states, or portions of two states, to assist in the implementation of a regional tourism promotional and marketing program." It is our feeling that financial assistance would be more effective if distributed to a substate region.

It appears to us that the logistics of coordinating and maintaining such a tourism promotional program would be considerably less difficult on a multi-county basis than it would be on a multi-state program. Our experience has shown that tourism promotion efforts in a region within a single state are often coordinated voluntarily by communities and agencies because of obvious areas of mutual benefit. We also have found the local and regional (e.g., multi-county) programs are often more effective than multi-state programs because of geographical and political considerations. There, of course, are some areas where cross-state cooperation would obviously be to the benefit of many sections of our country and we would not want anything in the bill to prohibit that from taking place, if that special circumstance did prove to exist.

Our second area of concern is that the act calls for a qualification on financial assistance which reads "such region has in the past been an area that has attracted foreign visitors but such visits have significantly decreased." We feel that this clause seems to penalize areas, such as ours, that have potential for attracting foreign visitors but have not attracted them in sufficient large quantities in the past. For the last four years our Tourism Advisory Council of the APDC, together with the various chambers of commerce, convention councils, and others, has begun to promote coastal Georgia in foreign countries through the United States Travel Service (USTS), the Georgia Department of Industry and Trade and other means. These early efforts give us every reason to believe that this region has tremendous potential for attracting foreign visitors. For example, at one of the recent tourism shows a Lufthansa Air Line representative described Coastal Georgia's beaches and quiet beauty as "made to order" for German travelers. This region has always been a favorite for Canadian travelers and recent efforts have generated interest from Belgium and other European countries. Because of this we would like to see an amendment that would allow for financial assistance to flow to regions such as ours and to multi-county organizations such as ours so that we could use that funding to attract foreign visitors.

Generally, we certainly feel that the economic benefits that the National Tourism Policy Act could generate would be of tremendous assistance to our part of the state and to the state as a whole.

In conclusion, the economic impact of tourism is of great significance in Coastal Georgia. Tourism is a labor-intensive industry, one that creates a large quantity of jobs with a much smaller required investment. It employs many relatively unskilled laborers, such as youth and minorities and saves enterprises more money than it costs. Further, tourism requires minimal government services and is a clean industry with very little demand on the environment.

Among other benefits of tourism for Coastal Georgia are the rippling effect outside tourist dollars have when entering our communities and the fact that tourist dollars turn over from three to five times in our region. Tourism also acts as a stimulant to the development and improvement of local facilities, properties, etc. and offers a constant renewable source to our coastal communities.

I hope that our remarks have not arrived at too late a date to be entered into the senate record and that the Senators and their staffs will address the specific areas mentioned. I will be happy to answer any questions on the economic impact of tourism on Coastal Georgia.

Thank you.

STATEMENT OF JONATHAN S. LINEN, PRESIDENT OF AMERICAN EXPRESS COMPANY TRAVEL DIVISION

Mr. Chairman and members of the Subcommittee, please accept my thanks for your invitation to submit the views of the Travel Division of American Express Company on the matter of the economic impact of tourism.

The Travel Division of American Express is one of the world's largest travel agencies. It provides a full range of travel and travel-related services through more than 1000 Company-owned and representative offices in 126 countries around the world. In the United States it has more than 450 Company-owned and representative travel agency locations. That may sound like a large number and, for a single company, it is. But it is only a small part of the travel agency industry in this country.

Recent figures provided by the Air Traffic Conference of America show that there are now more than 19,000 travel agency locations in the United States. By far the greatest number of these agency locations are sole proprietorships or small partnerships. Nevertheless, the travel agency network is the backbone of the system for the sale and promotion of travel. And its importance is even greater in the promotion of tourism, because the typical tourist is looking for a complete package of services which will include air, air/sea and land transportation, hotels, car rentals, sightseeing, escorted tours, and the like.

It is important, I think, that the subcommittee realize that the more than 19,000 travel agency locations in the United States have been developed by persons—in most cases individuals rather than corporations—who have been prepared to undertake the entrepreneurial risk of entering what is a highly competitive industry. American Express Company encourages that competition because it believes that the free marketplace is the best guarantor of innovation and of improved service to the traveling public. Competitive as it is, however, the travel agency industry could become more efficient if some of the regulatory restraints under which it operates are removed. Actions taken by the Civil Aeronautics Board subsequent to the Airline Deregulation Act of 1978 have eliminated or eased some of these restraints. Thus, domestically, United States air carriers have been exempted from the legal requirement of strict adherence to the prices set forth in their tariffs, thereby permitting great flexibility in their pricing. At one time, joint agreements between the carriers which were approved by the Civil Aeronautics Board prohibited a travel agent from setting up a travel agency location at an airport. That prohibition has been withdrawn, at least by domestic carriers. But other restraints on a travel agent's ability to innovate and compete remain.

Fortunately, the remaining restraints are in issue before the Civil Aeronautics Board in a proceeding known as the Competitive Marketing of Air Transportation Investigation, Docket 36595. American Express Company is advocating the several restraints on competition be disapproved. In fairness, I should point out that many travel agencies disagree with the American Express position, apparently preferring the security blanket of the status quo to the brisk but exhilarating winds of more open competition.

What I have said to this point is that the travel agency business is a highly competitive one and one which we hope will become more so in the near future. The more that free marketplace competition is enhanced, the greater will be the ability of the travel agency industry to develop and promote travel and tourism both in this country and to this country. But regardless of the improvement of competitive conditions, the travel agency industry needs the encouragement and assistance of Congress. It is one thing for American Express Company to make its own large outlays of advertising funds in tour brochures, domestic and foreign magazines, newspapers and other media. But it cannot be expected that the small so-called "Mom and Pop" agency locations which make up the vast majority of allocations can make such efforts even commensurate with their size. There are at least three ways in which the Congress can and should help.

1. THE BUDGET FOR THE UNITED STATES TRAVEL AND TOURISM ADMINISTRATION (USTTA)

In fiscal year 1981, the actual expenditure of the United States Travel Service for International Tourism Development was $6,606,000. Expenditures in that program for fiscal year 1982 are estimated at $6,388,000. For fiscal year 1983, the proposed budget for that program has been reduced to $3,848,000—a reduction of about 42 percent. (See Budget of the United States, Fiscal Year 1983, at I-F18.) American Express readily acknowledges that in these difficult times the allocation of budgetary resources presents hard choices. There are many axles squeaking for more grease. American Express respectfully suggests, however, that it represents false economy so drastically to slash the budget of a governmental agency which can assist in the production of foreign exchange, positive trade balances, and job opportunities for United States citizens. I submit that the cut in USTTA's budget is particularly inopportune in light of recent trends in international travel, for according to U.S. Travel Service estimates, in 1980 more than 21½ million foreign travelers set foot in the United States. This figure represents a fourfold increase within the past ten years. International travel to the U.S. has been growing at an average annual rate of 15 percent. But, the next five years promises to be a period of even more accelerated growth, and the economic impact is expected to be far reaching.

Current yearly receipts from international travel to the U.S. totaled $10 billion—nearly tenfold increase since 1960. Yet, by 1985 we can look forward to double that amount—or more than $55 million a day in inbound receipts. Translated into serv-

ice industry jobs, that figure can mean employment for up to 750,000 people. In fact, the international travelers may well represent our single most important untapped market.

More over, during the past ten years, our balance of payments in the service industry has been steadily growing—while the balance for goods has been declining, and the trade in services was responsible for the first overall surplus since 1976. I further submit that without that surplus, interest rates and inflation might well be even higher. To reduce United States Government promotion of international tourism by more than 40 percent is, under those circumstances, counterproductive.

2. VISITOR VISA WAIVERS

If I want to go to the United Kingdom or to many other countries, all I need generally is a valid passport. But if citizens of the United Kingdom wish to come for a vacation and a tour of the resorts and recreational areas of the United States, visas are required. In short, we handicap ourselves in the world-wide competition for tourist revenue. I know that this Subcommittee has tried in the past to obtain legislation which would permit a waiver of the visa requirement for citizens of selected countries. I urge you to try yet again.

3. CUSTOMS AND IMMIGRATION INSPECTION

In response to an outcry against severe delays in clearing Customs and immigration at United States ports of entry, a one-stop clearance system experiment was initiated at a limited number of international airports. That experiment has been successful in alleviating the delay problem at those airports to a considerable extent. It is time to enlarge the one-stop clearance system.

Mr. Chairman and members of the Subcommittee, the foregoing are the views of American Express Company on some of the aspects of the economic impact of tourism. In summary, the private sector can do much to promote tourism, but it cannot do it all. We need your help to reduce regulatory constraints on free marketplace competition. And only Congress can act with regard to easing such inhibitions to foreign tourism as the visa requirements and the difficulties of entry clearance. I thank you once again for the opportunity to present our statement.

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